# State of Australian Startup Funding

# 2025

CUT THROUGH VENTURE

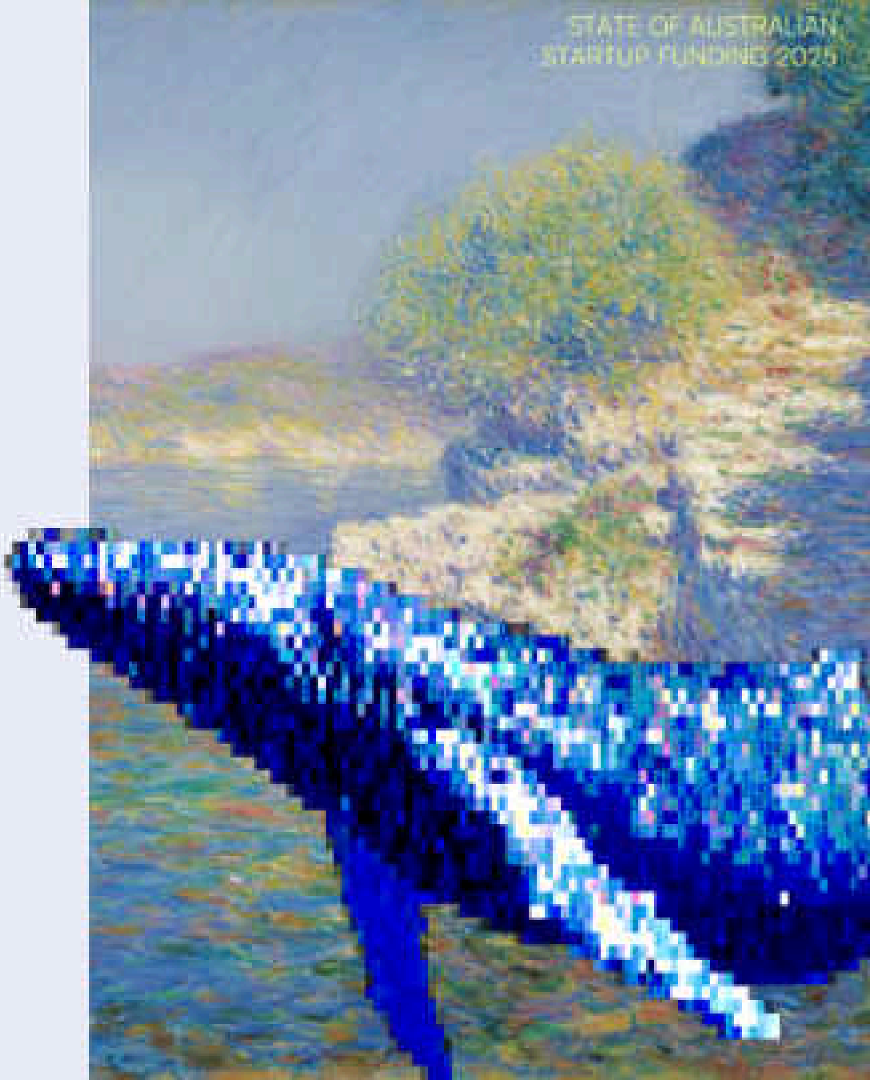
Folklore Ventures

# 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.

# Index





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# A word from Cut Through Venture

**2025 marked the fifth year of Cut Through and the State of Australian Startup Funding report. What began as a one-person newsletter written in a New York study during COVID has become a small but useful infrastructure for the startup ecosystem. I am self-aware enough to know that very little of what we do is earth-shatteringly clever. Our success has instead come in large part due to competing parties across the ecosystem choosing to collaborate, even when they did not have to.**

Most of the people who provide the data, context, and critique that inform all Cut Through reports are my peers in the market, literally, my competition as venture capitalists. A business school professor would tell you that we've engaged in "coopetition".

The five-year Folklore partnership is a case in point. We could and would compete aggressively for allocations in the same companies, and I'm jealous of many of the companies that Alister and the team have invested in. I hope he'd say the same of Five V.

Still, we are aligned on the goals for the report, and that alignment has remained true throughout the rollercoaster the market's been through over the past five years: to shine a spotlight on Australian startups and the investors who invest in them. We also know that two firms couldn't publish this report with the same legitimacy, which has fuelled the growing number of contributors year over year.

That level of cooperation is unusual in finance. My close friends in private equity operate in a different universe, where auctions and sealed bids produce clean winners and losers. They are exceedingly good at competition. Many are extremely sharp, and some are exceptional at generating returns. But they are not in the business of ecosystem building. Venture capital should be. Our job is to help create new markets, not just recycle ownership of existing ones. That depends on a degree of coopetition, where firms compete hard for capital and deals, but still share enough information, networks, and know-how to lift the whole market.

San Francisco shows what this looks like when this kind of coopetition compounds over decades. Capital mattered, but the actions of the people within the city mattered much more. People left breakout companies to start or join the next one. Angels and early VCs invested together and shared insights. Operators exchanged playbooks on pricing, product, and hiring. When information and talent are abundant and move freely, more teams clear the hurdles between a good idea and a sustainable business. The city acted as a true ecosystem, and the benefits almost always extended beyond the boundaries of a single company.

The maths makes this rational. A small number of outliers drive returns for most early-stage funds. Those companies typically seek more capital, broader networks, and deeper expertise than any single investor can provide. The probability of a great team successfully scaling from Seed to Series A and beyond increases with strong co-investors and an engaged local network. Everyone may have a smaller slice, but likely of a bigger pie.

Australia is never going to be able to exactly replicate the Bay Area, and it shouldn't. There are different ingredients to consider: less capital, fewer buyers, a smaller pool of repeat founders, and more of something that San Francisco doesn't have. Distance.

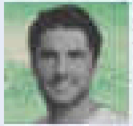
Distance has a great many costs. It impacts customer access, recruiting, and follow-on capital. But it can also be a strategic asset. Australian founders often build in relative silence compared to their international counterparts. They can put in the operational hustle and discipline, iterate on product, and get the unit economics right without the noise of global hype cycles. If they do get that foundation right, they can dash to the front of the line to access the world stage, hitting the ground running with evidence and solid operational metrics, rather than just a narrative positioning.

We can achieve this only if we treat the Australian tech economy as an ecosystem, not as a scattering of disconnected funds and founders. It is a collection of small choices that can construct or deconstruct progress. Instead of duplicating reference calls, share them. Tell a founder straight up when another fund is better positioned to lead a round. Co-host sector events so founders get substance instead of five versions of the same panel. Introduce a portfolio company to a competitor when the commercial fit is strong. Reference check an ex-employee starting a new role at a Pre-Seed startup.

For investors, none of this relieves the tension over ownership, fees, or control. Nor should it. Incentives matter, and we should all compete with force to win. But we cannot behave as if the Australian tech opportunity is scarce and must be guarded, when doing so only fragments capital, knowledge, and ambition in a market that already operates at smaller scale.

Five years of Cut Through has taught me that when direct competitors work together, our market becomes more transparent and more investable. Take that thinking beyond the mission of one organisation, and Australia meaningfully improves its odds of producing more enduring companies, repeat founders, and globally relevant outcomes.

Thank you to all this year's contributors. I hope you enjoy the report.



Chris Gillings
Founder, Cut Through Venture and
Managing Director, Five V Capital

# A word from Folklore Ventures

**The 2025 State of Australian Startup Funding Report marks Folklore Ventures' 5th year supporting our startup ecosystem. Drawing together 1,000 contributors from our technology industry, a community of founders, venture capital firms, investors, operators, Universities, service providers and Governments; it's our ambition that this Report sheds light on an industry and the people rapidly shaping Australia's economy and our global influence.**

At the centre of this patchwork community are innovative founders, committed operators and investors willing to commit capital over long durations in a cycle of funding supporting Australia's most ambitious people and their big ideas. Over the last 5 years, Australian startup investment has swung from a high tide of $10 billion in 2021, to a lamented 'low point' of $3.5 billion in 2023. The $5.4 billion invested in 2025 points to a funding environment that is healthy and vibrant.

The big numbers, however, are merely a window dressing for underlying investment activity that contributes to the future health of this industry. To the relief of many, valuations in 2025 remained robust. Whilst weight of capital typically distributes to larger, later rounds with the top 20 investments representing 58% of invested capital, investment activity was broadly distributed across staging and sectors. Funding flowed to AI at an increasing rate, yet the bar rose for AI startups receiving that capital throughout the year. Whilst we have seen AI companies growing many times faster than historical SaaS counterparts, reality has met hype and the need for sustainable economics questions the defensibility of some vertical AI applications, especially as SaaS succession plays out and the operating ability of teams and their go-to-market capability is tested.

Alongside positive investment activity, this year's Report also highlighted a diversity of capital flowing at early stages through the Australian technology ecosystem that is not merely domestic and super fund sourced, but international and at scale. Venerated global venture capital funds Andreessen Horowitz, Bessemer and Lightspeed allocated to Australian founded companies, whilst private equity and secondary transactions started to deliver much needed liquidity to investors. Yet many of the later rounds for Australian deep tech and climate companies required Government support, signalling a gap yet to be filled by private capital.

However there is a cautionary tale to 2025. Despite the overwhelming benefits of superannuation allocations, private capital, larger funds, Government policy and more venture capital firms, liquidity and the recycling of capital from venture funds appears well below the future needs of Australian startups. The well is not being replenished. Whilst low liquidity is not merely an Australian phenomenon, in the context of this Report, we must steel ourselves for the fact that if capital does not flow freely back to investors, less capital will flow to future VC fund vintages. This dynamic risks the gains we have made as an industry, and its impact on our future economy.

As we cast our minds back to the heart of this industry, we must not concede our support or optimism for Australian founders and their big ideas, to those that malign technological progress, ambition and have-a-go effort. We must remember that to be successful, one must be preoccupied with the vision, rather than the approval. Asking our future-selves what our current self should do, it should be obvious that investing in areas of rapid change, technical advancement, and ambition is a choice not to be ignored. This is where the greatest gains will be made for all, and where the greatest technological impact and advancement will be made for Australia.

There is much work to be done, many more big ideas to be supported, and a community that will only gain (in every sense of the word) from continued support. We hope you enjoy and learn from this 2025 State of Australian Startup Funding Report.

Alister Coleman
Founder and Managing Partner,
Folklore Ventures

01

# The State of Venture Capital

# Key things to know

## 1

### Funding rebounded sharply in 2025, driven by scale and renewed conviction

Australian startups announced $5.4 billion across 390 deals in 2025, marking a 37% increase year-on-year and the third-largest funding year on record. While a small number of mega rounds lifted the headline figure, activity remained broad-based across stages, with median deal sizes rising and investor confidence improving. AI played a central role in reigniting momentum, injecting energy into local VC markets that had been subdued since 2022.

## 2

### A small number of large rounds dominated total capital raised

Funding outcomes in 2025 were highly concentrated. A handful of companies captured an outsized share of total capital, reflecting power law dynamics consistent with global venture markets. The 20 largest deals accounted for 58% of all capital raised, with multiple mega rounds from companies such as Firmus and Airwallex lifting the overall total. For most startups, the recovery was real but far more measured.

## 3

### Founders' raise experiences varied as the market split into fast and slow lanes

The most competitive Pre-Seed and Seed rounds moved quickly again in 2025, particularly for startups with credible AI led propositions. Outside this top tier, fundraising remained more deliberate, with investors taking additional time and anchoring decisions to traction and milestone delivery. Rather than the excess of 2021, capital flowed toward teams demonstrating discipline, defensibility, and clear execution.

## 4

### AI-driven differentiation commanded a valuation premium, but pricing stabilised

Deal pricing stepped up from 2024 levels early in 2025 before stabilising through the remainder of the year. Investors paid premiums for companies with tangible AI capability and defensible use cases, rather than AI as a marketing label. While Australian startups with credible AI stories attracted stronger demand and higher valuations than in recent years, widespread valuation excess remained limited compared with the United States.

## 5

### AI reshaped how companies were evaluated, not just what sector they sat

Artificial Intelligence hit the top spot of the funding tables in 2025, and investors ranked AI the most exciting sector for the third straight year. With a more mature understanding and sharpened mandates, investors emphasised AI workflow integration, differentiation, and defensibility over standalone AI branding. 61% of all capital raised flowed to startups utilising AI in their stacks.

## 6

### Mixed fund fundraising outcomes as limited partner appetite remained tight

Fundraising conditions for Australian VC funds remained challenging in 2025, with limited partner appetite selective and uneven. Many managers faced extended timelines, recalibrated fund sizes, or difficulty accessing a constrained local LP base. As a result, some funds paused fundraising and shifted into portfolio caretaking mode, reducing the overall breadth of capital available to startups.

## 7

### International capital became more central to Australian rounds

Founders increasingly looked offshore for capital in 2025 as local cheque size limits pushed Series A and later stage companies to expand their investor base. Many rounds blended domestic leads with international co investors, reflecting a structural shift rather than a tactical choice. Founders cited access to larger cheques, deeper follow-on capacity, and support for global expansion as key drivers.

## 8

### Capital share rose for female founders, but deal participation declined

Female founders captured 24% of equity capital raised in 2025, up from 15% the prior year. At the same time, their share of total deals fell to 23%, down from 27%. The increase in capital share was driven by a small number of larger rounds, highlighting continued progress at the top end alongside persistent challenges in participation and breadth.

# State of Australian Startup Funding 2025

Cut Through Venture
Folklore Ventures

## Agriculture / Agtech

## Blockchain / Crypto / Web3

## Artificial Intelligence

## Biotech / Medtech

## Ecommerce / Retail

## Food / Beverage

## Fintech

## Gaming

## Dev Tech

## Consumer

## Climate Tech / Clean Tech

## Social Networking / Media

## EdTech / Training

## Legaltech

## Deep Tech

## Design / Publishing

## Marketplace

## Space / Aviation / Defence

## Transport / Logistics / Supply Chain

## Hardware / Robotics / IOT

## Cyber / Privacy / Digital ID

## Enterprise / Business Software

## Healthtech

## Proptech / Real Estate / Construction

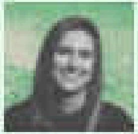
## MarTech / AdTech / SalesTech

“

In 2025, everything came back to life. In general, it's really well balanced, not euphoric but no longer hesitant, and investors are back to putting money to work. Deals are getting done at more normalised valuations and terms thanks to real confidence that products are moving beyond demos into real production; customers are adopting new products and achieving real ROI. Australian founders are building world-class technology that adds real value.

The founder ecosystem has really grown, with more second and third time founders than ever before and domain experts building solutions to well-understood, meaningful problems, which is building great momentum.

The AI enthusiasm is making capital more available, particularly in the US. Confidence in the US markets means investors can see the return profile and stay excited even at higher AI valuations. Australian founders are aiming to be leaders in AI, and we are seeing AI-native startups take on large problems. Founders are ambitious and optimistic, and they are developing leading-class technology out of Australia.

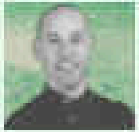


**Taryn Pieterse**
Partner, Rampersand

“

The market feels buoyant, especially relative to the past couple of years. Venture deployment is picking up again, and the AI platform shift is enabling companies to create entirely new software categories; many growing faster than anything we've seen before. At the same time, fundraising is concentrating into a smaller number of breakout businesses, so the uplift isn't being felt evenly across the startup spectrum.

Deal flow has increased meaningfully over the past 12 months as founders spot new opportunities created by these platform shifts. We're also seeing more second and third-time founders, which changes the texture of the pipeline: they know how to build the scaffolding around a product, from go-to-market to finance and operations. But the fundamentals haven't changed: without a genuine product insight and a deep understanding of the market, experience alone won't carry you. Ambition matters more than ever.



**James Cameron**
General Partner, Airtree

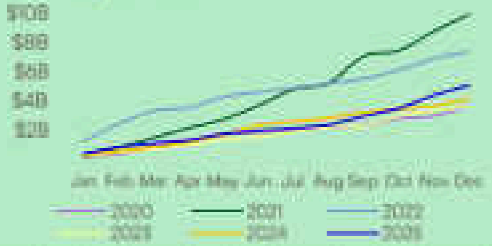
# State of venture capital in 2025

**390** Deals

**$5.4B** Funding

**1** new unicorn

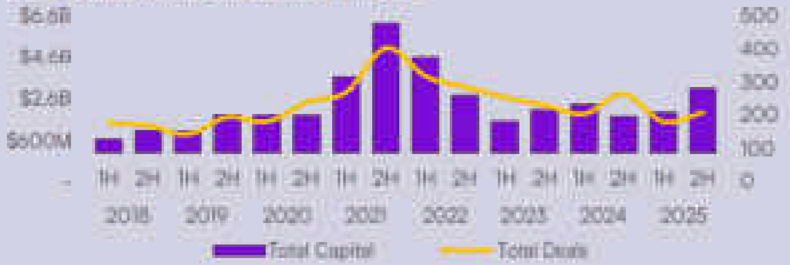
## Total Capital Raised




**46%** investors saw a company shut down

**77%** investors saw a company conduct layoffs

## Total Capital Raised and Number of Deals




## Share of Capital Raised by State


## Top Funded Sectors

**$1.0B** Artificial Intelligence

**$868m** Fintech

**$829m** Biotech / Medtech

**$585m** Climate Tech / Cleantech

**$297m** Hardware / Robotics / IoT

**$271m** Healthtech

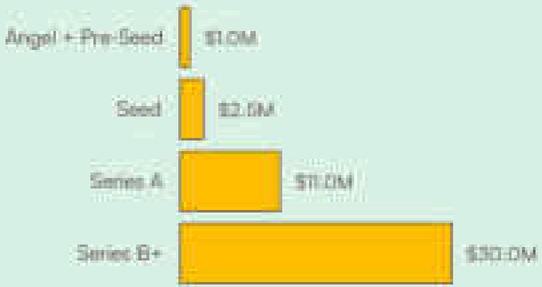
**61%** of total capital flowed to startups with an AI offering

## Female Founders Funding


**Equity Capital Raised**
(Up from 15% in 2024)

**Deal Participation**
(Down from 28% in 2024)

## Median Deal Size



# Funding stabilises as confidence and enthusiasm rebuild after reset

**The Australian startup funding market moved beyond the reset era and into a more stable, more selective phase in 2025. Capital deployed jumped 31% year-on-year to $5.4 billion, making 2025 the third-largest funding year on record, despite total funded deals slipping below 2024 levels. Investors are writing cheques again, but with sharper intent and a higher bar for proof.**

The market has normalised after the 2021 peak and the 2022 to 2023 correction, with 2025 showing longer stretches of consistency than 2024. Steadier reported deal flow, paired with a measured step-up in capital deployment, points to healthier deal quality rather than indiscriminate investor risk-taking. Investors consistently described the tone as optimistic but not exuberant, with confidence returning alongside continued discipline.

Total capital increased while deal counts fell, reinforcing the extent of concentrated funding within the most competitive deals. Investors backed select companies with greater conviction, rather than creating an indiscriminate lift in all corners of the market. That dynamic aligns with investors' reported focus on backing clear winners and moving quickly when fundamentals stack up.

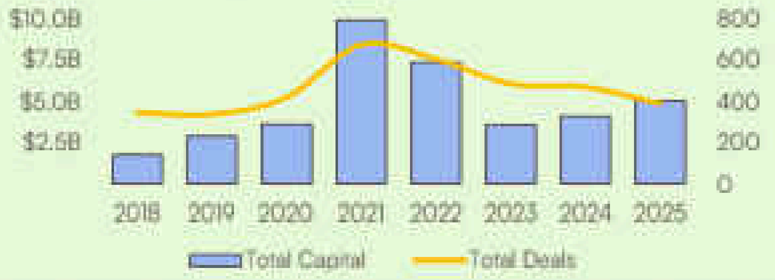
Q4 2025 was the strongest quarter since 2021, with total raised above $2.0 billion. Investors did not meaningfully change the pace of dealmaking throughout the year; instead, a small number of companies raised some of the largest rounds in Australian venture history. This matches the trend seen globally in 2025, wherethe majority of total venture capital deployed went to a select few companies.

Investors describe a two-speed market. Startups with AI technology at their core and strong early metrics are seeing fast-moving, competitive rounds, while others face longer processes and tougher diligence. Having AI at the core of an offering still grabs attention, but investor preferences have refined since 2024. Teams now win investment through capital efficiency, retention, and evidence of moats, not just headline growth and AI buzz alone.

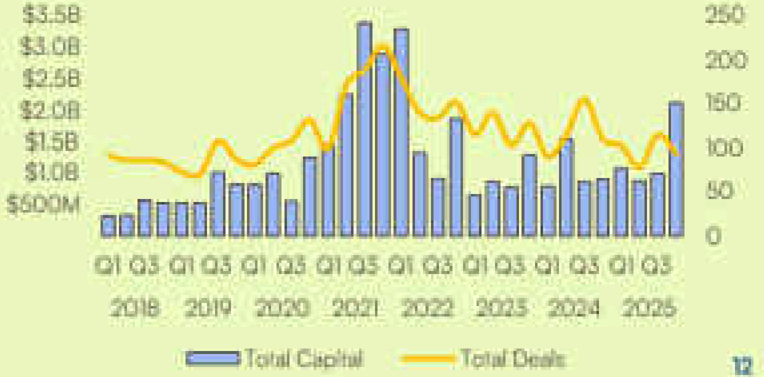
Investors describe early-stage energy as strong, but that does not necessarily translate into an easy close for founders. Interviewed investors noted stronger early-stage deal flow and higher participation from small funds, active angels, and syndicates – but also point to an ongoing shortage of lead investors, which continues to stretch timelines for Pre-Seed and Seed deals. This tension helps explain why deal counts remained broadly steady even as capital spiked when conviction consolidated around hot opportunities.

The market looks well-positioned going into 2026 while staying grounded. Investors continue to hope liquidity will return through IPOs, M&A, and a deeper secondaries market. They also expect global and institutional capital to lean even further into Australia.

**Capital Raised and Deal Count — Annual**




**Capital Raised and Deal Count — Quarterly**



# Capital returns but discipline and liquidity remain key

**If 2024 was a year of correction, 2025 was the year the Australian ecosystem proved its resilience, and then found its roar.**

$5.4 billion of VC was invested in 2025, a figure that tells a story of a market that has not only stabilised but matured into a high-signal destination for global capital. While the first half of the year required patience, the second half saw several mega-rounds.

### The liquidity crunch: the elephant in the room

Despite the influx of capital, liquidity remained constrained. The most striking development was the continued liquidity drought and the growing appetite for secondary transactions. With traditional IPO and M&A exits remaining scarce, secondary markets emerged as a critical pressure valve for the ecosystem. Founders and early investors increasingly turned to secondaries to achieve partial liquidity, a trend that reflected both portfolio maturity and the extended timelines to exit that have become the new normal. This wasn't a sign of distress but rather sophisticated and strategic cap table management — creating pathways for capital recycling and enabling long-term believers to remain invested while providing returns to early backers. In 2026, expect this secondary market to deepen, becoming a standard feature.

### The "AI-Native" graduation

The headline trend of 2025 wasn't just "AI" — it was the graduation of AI from experimental "wrappers" to industrial-grade infrastructure and vertical applications.

We saw Firmus raise A$330 million to build AI data centres, with backing from Nvidia. At the application layer, Heidi Health secured a landmark A$98 million Series B led by Point72, validating that Australian Healthtech can compete with the best in Silicon Valley. Even our established giants doubled down. Airwallex raised an eye-watering US$330 million Series G amid continued global growth.

### Deep Tech and climate resilience

In 2025, as investors grappled with the defensibility of software in an AI world, capital flowed into Deep Tech — often touching the physical world. We at Folklore have always loved founders solving "unsexy and hard" problems.

The energy transition drove significant deal flow, exemplified by InfraVision's US$91 million Series B. Led by Singapore's GIC, this investment in aerial robotics for power grids highlights focus on critical infrastructure resilience. Samsara Eco announced a blockbuster 10-year offtake for 20% of Lululemon's volumes and opened their first commercial plant as the AI-based infinite plastic company quickly matured. Similarly, Google's investment in OpenSolar was a massive signal, validating the Australian software platform that has facilitated US$10 billion of installs as the operating system for the global rooftop solar industry.

At Folklore, we backed this thesis by investing in the A$16 million Series A of Hullbot. By deploying autonomous underwater robots to solve biofouling for ship hulls, Hullbot has delivered 10-26% fuel savings as well as carbon emission reductions. We see continued strength in Deep Tech companies with strong unit economics and customer ROI.

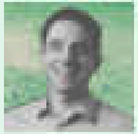
### The Silicon Valley bridge

Andreessen Horowitz leading the US$21 million Series A in Sphere was also a watershed moment. It demonstrated that when Australian founders build best-in-class solutions — in this case, for the complex problem of cross-border tax compliance — capital will find them, regardless of postcode. Folklore Ventures was the only Australian VC that invested into the company in its first round, at a Pre-Seed stage.

### Outlook for 2026

We enter 2026 with a battle-hardened cohort of founders and a capital ecosystem that is deeper and more connected than ever. The bar has been raised: funding now demands not just growth, but unit economic discipline and global relevance from Day 1.

The capital is here, the talent is world-class and Australia is no longer just "punching above its weight" — we are in the ring with the heavyweights.

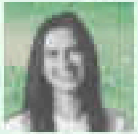


Albert Bielinko
Partner, Folklore Ventures

With the Australian ecosystem's track record of exceptional capital efficiency and the talent flywheel spinning out top-tier founders from prior successes, we firmly believe that Australia will punch significantly above its weight in the AI era, just as it has done in the cloud era.

Today, we're seeing AI act as a multiplier on this combination of talent and capital efficiency and we are seeing teams achieve technical milestones with half the headcount and funding previously required, and moving from inception to product-market fit at a velocity that would have been impossible three years ago.

We are incredibly excited to be investing in Australian founders and technology companies as they take on the multitrillion dollar opportunity that AI represents.



**Isabella Rich**
Principal,
OIF Ventures

Deal flow has remained strong, and what stands out is the steady lift in quality as the ecosystem matures. More startups are being founded by individuals who bring deep experience from previous roles in successful organisations, and who are increasingly deliberate about the partners they choose to work alongside.

We continue with our focus on investing in national resilience. As geopolitical tensions reshape supply chains and technology sovereignty becomes critical, we're seeing stronger policy tailwinds, deeper government engagement, and growing enterprise demand for locally built solutions in areas like advanced manufacturing, space technology, and defence-adjacent infrastructure. The most capable founders are increasingly drawn to these problems: intelligence, empathy, resilience, and persistence continue to stand out as the traits that separate the teams we want to back.

**Marten Peck**
General Partner,
Salus Ventures

Government priorities and support mechanisms have shifted, access to capital has diversified beyond traditional VC, and a broader mix of operators, corporates, and alternative funders are now active in the market.

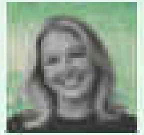
Capital availability also wasn't the key factor determining funding levels in the Australian startup ecosystem in 2025, it was the strength of the sector itself. Capital was no longer frozen, but it was definitely flowing with far sharper intent. Investors backed founders who could demonstrate real traction, capital efficiency, and a credible path to global scale, continuing the shift away from speculative growth toward businesses solving real problems.

Australia doesn't lack talent or ambition, and successful founders adapted quickly to the new landscape by building leaner teams, using AI to scale earlier, and reaching international customers sooner. These founders were making better decisions earlier and building more durable companies, often in part due to greater access to deep networks of advisors, operators, corporate partners, and alternative capital pathways.

It is without a doubt alignment across capital, capability, and community that will define the next phase of global competitiveness.

This will require industry-wide collaborative support, trusted advice, and spaces where learning and connection happen earlier. It will include support for diverse founders, encouragement for capital recycling, and prioritisation of long-term value over short-term wins. It will see exited founders increasingly giving back both time and capital.

Bringing these elements together into a truly connected, founder-centric ecosystem will be critical to building a more resilient, founder-centric and globally competitive startup economy for Australia.

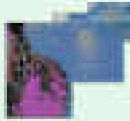


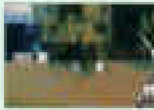
**Carolyn Breeze**
CEO, Scalare Partners

# A handful of mega rounds pushed Victoria to top spot

For the first time, Victoria beat out New South Wales as the leading state by total capital raised in 2025. This shift was driven by a small number of large-scale-up rounds, with companies like Airwallex and Roller accounting for a meaningful share of total Victorian funding. New South Wales maintained its long-held lead on deal count, reflecting the continued breadth of early and mid-stage activity. Queensland also marked a milestone year, surpassing half a billion dollars in total funding. By sector, Biotech/Medtech led by deal count across most markets. Climate consistently ranked as a top-three sector by activity across all regions.

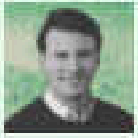
| | | | Median Deal Size | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total Capital | Deals | Pre-Seed | Seed | Series A | Series B+ | Female Founder Deal Participation | Top Sectors by Deal Count |
| Victoria | $2.2B | 134 | $925K | $3.2M | $15.0M | $40.0M | 25% | 1. Biotech / Medtech<br>2. Healthtech<br>3. Climate Tech |
| New South Wales | $1.7B | 160 | $2.0M | $3.0M | $13.5M | $30.0M | 21% | 1. Artificial Intelligence<br>2. Healthtech<br>3. Climate Tech = Fintech |
| Queensland | $504M | 61 | $1.6M | $2.5M | $7.1M | $45.6M | 34% | 1. Biotech / Medtech<br>2. Climate Tech<br>3. Martech / Adtech / Salestech |
| The Rest | $963M | 32 | $1.3M | $1.1M | $6M | $12.5M | 21% | 1. Biotech / Medtech<br>2. Climate Tech<br>3. EdTech / Training |





"Medium-term sentiment in the Australian startup funding market continues to change day-by-day and datapoint-by-datapoint. On oneday you are genuinely excited about large funding rounds, resilient valuations, and the prospect of IPO markets re-opening (especially for the Australian tech sector)— and on another day you focus on sticky inflation, global turmoil, and the prospect of the AI bubble bursting.

Whilst this volatility should be good for venture investing (that is, the chance of backing a business that fails increases,but so too does your potential upside in the 'winners' that you back) — we have found that there has been a material shift in our assessment criteria for new opportunities. Our weightings toward the ability for a business to build a strong moat and resist churn, as well as potential margins at scale and with competition, have increased relative to our weightings for pure top-line revenue growth.



Damian Fox
Partner,
Carthona Capital

# Early upward reset gives way to steady pricing, but with a sharp AI premium

**Investor sentiment suggests a bifurcated valuation market, with AI deals clearing at higher valuations than the rest of the ecosystem. An upward reset in overall pricing appeared to have occurred from late 2024 to early 2025, followed by steady pricing rather than a progressive uplift for the rest of the year.**

Quarterly investor survey on valuations suggests a reset occurred early in 2025 and then held broadly consistent quarter-to-quarter, rather than climbing over time. Investors describe this as a settled equilibrium after the 2023 to 2024 correction, not the start of a new inflationary cycle. AI-at-the-core companies are demanding higher valuations and attracting sharper investor competition, while non-AI deals are pricing within tighter, more disciplined bands.

This bifurcation reinforces selectivity rather than broad-based hype. Investors report a willingness to pay up where AI meaningfully improves scale, defensibility, or exit potential, while applying conservative benchmarks elsewhere. As a result, valuations look stable in aggregate across 2025, but outcomes increasingly depend on particular sector exposure and perceived upside, not early stage potential alone.

> AI-native products garnered a premium over traditional SaaS products in 2025. In particular, high-growth AI companies secured quick and high-valuation rounds. While Australian valuations have gradually risen in recent years, they remain more stable than in the US. The market is looking for a synergy between strong growth and innovative products. Companies with both these elements are priced at a premium with compressed closing timelines. Traditional products see smaller, steadier valuation increases, which is also a reflection of Australia's more measured investment climate.

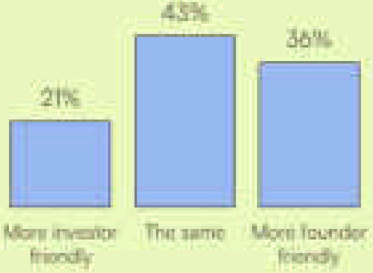
**Quentin Wallace**
Co-Founder and Venture Partner, Archangel Ventures

## Investor insights

**What was the median valuation you encountered at each stage?**



**How will deal terms evolve over the next 12 months?**




**What will happen to valuations in 2026?**

# Selective competition drives larger rounds across all stages

**Median round sizes continued to rise across funding round stages, with strong gains at all stages except Seed, which remained in line with 2024. The spread of deal sizes also widened at all stages except Seed.**

This points to renewed competitive tension for high-quality opportunities, where multiple investors are prepared to move quickly and write larger initial cheques. The increased spread in deal sizes across stages signals aggressive posturing for top opportunities, rather than a return to indiscriminate risk-taking seen in 2020 and 2021.

Series A rounds became more competitive, but investors reported that founders continue to structure rounds deliberately, prioritising efficiency and right-sized raises over headline scale. Investors describe this as a pragmatic adjustment to a local market that still rewards proof and momentum over ambition alone.

Later-stage deal sizes bounced back, suggesting competition has returned, but it is unevenly distributed and concentrated where investors see the strongest upside.

## Changing median round sizes


## Investor insights

**59%**

Pre-Seed and Seed deals became more competitive in 2025 vs 2024

(up from 30% in 2024 comparing 2023)

**43%**

Series A and B deals became more competitive in 2025 vs 2024

(up from 33% in 2024 comparing 2023)

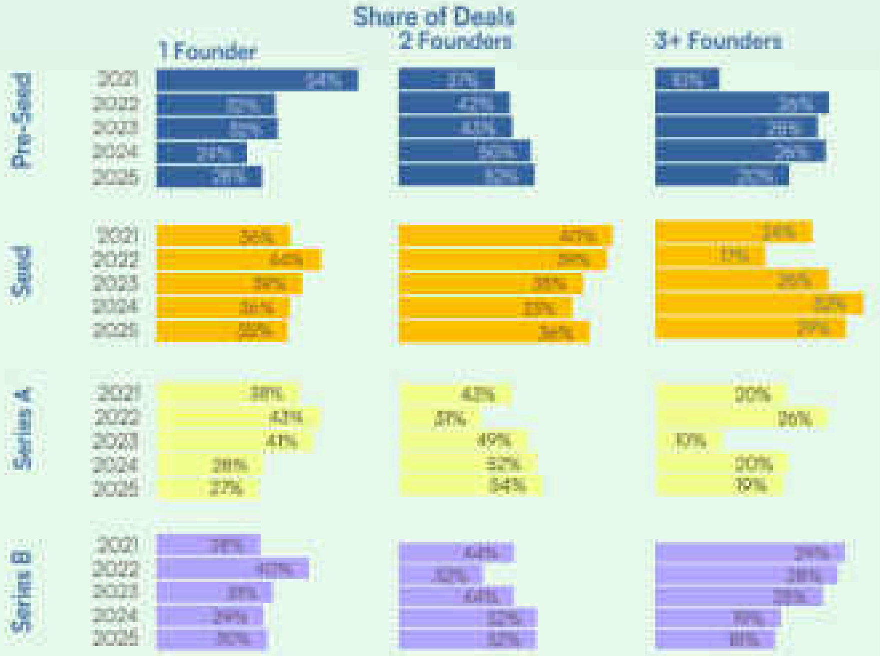
**18%**

Series C+ deals became more competitive in 2025 vs 2024

(down from 26% in 2024 comparing 2023)

# Solo founders trend downward, raise less

In 2025, two founder teams made up the largest share of deals at every stage, while 3+ founder teams still represented a meaningful minority. Median round sizes did not move in a straight line with team size, but 3+ founder teams attracted the largest cheques at Pre-Seed and Series B. Solo founders remained material across stages, but they no longer set the market's default profile like they did in the market peak of 2021.




## Median Round Size

| Pre-Seed | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| 1 Founder | $700K | $500K | $625K | $1.3M | $725K | $1.0M |
| 2 Founders | $550K | $600K | $1.5M | $613K | $825K | $1.0M |
| 3+ Founders | $765K | $713K | $525K | $1.4M | $750K | $2.3M |

| Seed | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| 1 Founder | $1.5M | $2.1M | $2.5M | $2.0M | $2.0M | $2.0M |
| 2 Founders | $1.7M | $2.5M | $3.0M | $2.6M | $3.1M | $3.0M |
| 3+ Founders | $2.2M | $2.5M | $3.3M | $2.0M | $4.0M | $3.0M |

| Series A | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| 1 Founder | $5.0M | $8.0M | $11.5M | $6.0M | $10.0M | $10.0M |
| 2 Founders | $7.3M | $6.8M | $9.3M | $7.8M | $5.5M | $14.5M |
| 3+ Founders | $6.2M | $10.0M | $10.0M | $10.0M | $5.3M | $6.8M |

| Series B | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| 1 Founder | $24.0M | $25.0M | $23.8M | $15.0M | $31.0M | $27.5M |
| 2 Founders | $21.0M | $25.0M | $23.0M | $20.0M | $20.0M | $30.0M |
| 3+ Founders | $59.5M | $50.0M | $30.0M | $28.0M | $15.5M | $38.5M |

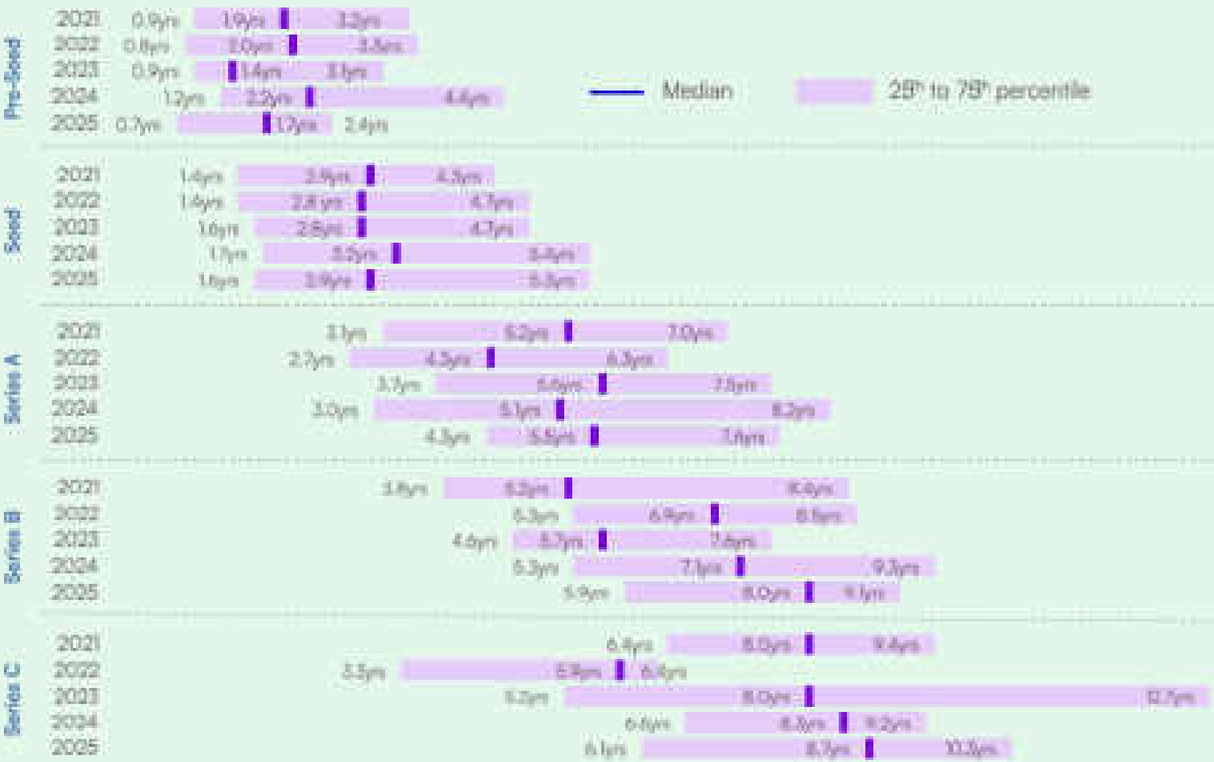
# Age of startups at time of raise

**In 2025, startups raised earlier at Pre-Seed and Seed, while later-stage rounds skewed older. This created a clear split in the fundraising population.**

In the earliest rounds, startup age at the time of raise moved meaningfully younger. Both Pre-Seed and Seed shifted down versus 2024, with Pre-Seed showing the sharpest move across the dataset back to 2021. The median fell, and the lower quartile range compressed towards materially younger companies. This pattern aligns with a market that backed teams sooner, as faster iteration and earlier signals of progress helped companies reach a fundable position more quickly.

This shift is most visible at Pre-Seed, where over three-quarters of raises were completed by companies less than three years old. This is not a marginal change. It suggests a reset of what "ready to raise" means at the earliest stage. Investors appear more willing to underwrite trajectory earlier, and founders can demonstrate credible velocity earlier, pulling fundraising forward even as selectivity remains.

Later-stage patterns moved in the opposite direction. Series A, B, and C companies in 2025 were, on average, older than in 2024, with Series B and Series C reaching their highest median ages since 2021. Together, these shifts point to two cohorts raising in parallel. One is a new wave of fast-moving, early-stage companies. The other is an older cohort that likely delayed fundraising through the 2022 to 2024 correction, then re-entered the market as confidence improved in 2025, lifting the age profile of successful later-stage raises.



# Reigniting emotion in early-stage investing

Despite some of the strongest valuations we've seen in years, capital is still moving slowly. From more than 2,000 founder–investor interactions and over $20 million raised across our ecosystem, the pattern matches what the 2024 Australian Startup Funding Report describes: a cautious rebound, longer cycles, and sharper scrutiny.

But beneath the charts and spreadsheets, something deeper is happening. Investors are still driven by emotion. It's just getting harder for founders to understand what kind of emotion, and when to lean into it.

## The slowdown beneath the surface

The timeline from first chat to first cheque has stretched from six months to twelve. Founders, fund managers, and syndicates are competing for attention against more alternative assets than ever.

Diligence is expanding, with investors dissecting traction, distribution, and product metrics at levels of detail that used to appear only in later rounds.

That's not a negative change. It reflects a maturing market. But the shift has hidden the human connection that makes early-stage investing truly work. Relationships that once hinged on intuition and conviction are now filtered through models, dashboards, and risk analysis.

## Early-stage investing is emotional — and it should stay that way

The best investors will admit this if you ask them. Their conviction rarely comes from a spreadsheet. It comes from patterns they've felt before: a founder's tone in a first meeting, an idea that echoes something they once missed, the familiarity of a problem that keeps resurfacing, a future they believe in.

Don't believe us? Ask Airtree why they didn't back Cuttable after making a motza on their founder's previous venture...

Their decisions are shaped by lived experience — what's worked before, who's delivered, what they believe about how the world might evolve. Intuition doesn't replace evidence, but it builds the conviction that makes bold bets possible.

The problem is that those signals are now scattered everywhere. Every fundraising effort happens in isolation. Founders can't see across the noise — can't decode what's resonating right now, what's fading, or what truly excites the people they're speaking to. The result: more conversations, longer cycles, and less emotional clarity for both sides.

## What we've learned from thousands of founder-investor interactions across 2,000 tracked exchanges, a few consistent truths emerge:

Most replies arrive on the third piece of outreach — persistence matters because inboxes are overflowing.

- Half of investors don't open a deck before replying; if the narrative is right, the meeting happens anyway.
- Only half of first meetings end with a definite answer; founders often miss the cues that could pull conviction closer.

## At a broader level, the shape of interest is shifting:

- AI fatigue is setting in: investors crave clearer, simpler stories.
- Distribution now outweighs everything: building is easy; scaling remains the test.
- Diligence requests are up 40%: execution risk has become the new emotional trigger.

The data supports what instinct already tells us: conviction still lives in the grey space between reason and emotion. Founders just need new ways to see it.

## The takeaway

Early-stage investing has never been just about numbers. It's about people betting on people — the courage, intuition, and belief that spark a decision before the market confirms it. What's changed is where those emotions reside. They've gone dark, buried inside inboxes, calendars, and private notes. While AI can do sophisticated analysis — it's an information and prediction tool — not a decision maker.

Iceberg makes that emotion visible. By turning an ecosystem's worth of interactions into live, human-centred insights, we help founders rebuild connection in an analytical world — finding the narratives that resonate, strengthening the relationships that matter, and bringing intuition back into the light.

Because when founders understand what investors truly care about — and why — they can fundraise faster, tell their story better, and build with conviction on both sides.

Jock Fairweather
Founder, Iceberg Software

# Large rounds return selectively, reshaping funding concentration

**2025 saw fewer $100 million-plus rounds than 2024, but the largest raises ranked among the biggest in Australian venture history.**

A small group of companies attracted a greater share of total capital than in previous years, reflecting a global trend where AI foundation-model hyper-scalers and SpaceX collectively drew over half of global venture investment.

The number of $50 million mega-deals fell below 2024 levels; however, Firmus and Airwallex set a new benchmark with $500 million and $498 million rounds, alongside several other outsized raises. These exceptions helped lift 2025 to the third-highest year on record for total funding.

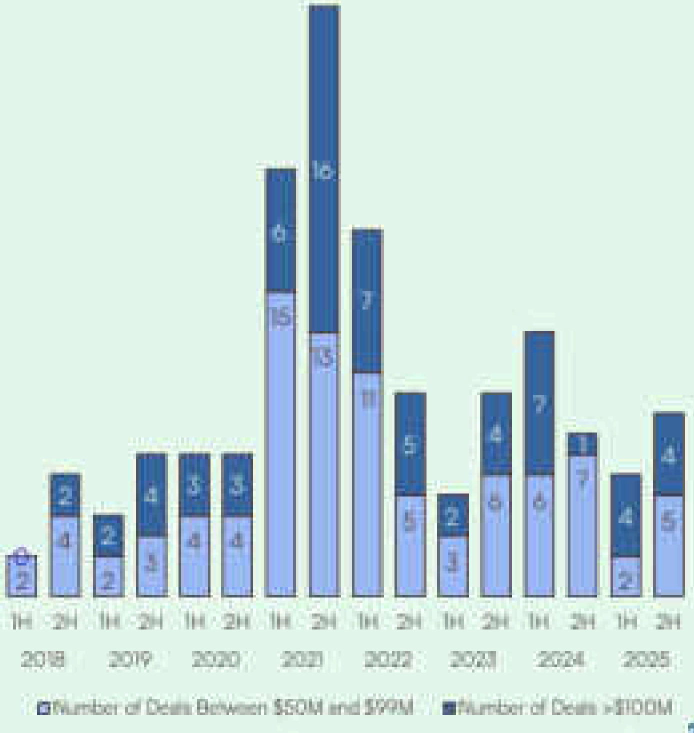
Concentration also increased at the top end. The 20 largest deals accounted for 58% of total capital deployed, up from both 2023 and 2024, highlighting a two-speed market where a small cohort is capturing a disproportionate share of investor dollars.

**15**
**$50M+ Deals**
(down from 21 deals in 2024)

**20 largest deals accounted for**
**58%**
**of total funding**
(up from 50% in 2024)

**% of Deals Greater than $20M + $50M**


**Deals Greater than $50M and $100M**



# Concentrated efforts across VC funding

**Venture capital has produced plenty of eye-catching headlines in recent months, with investors pouring billions of dollars into AI startups throughout 2025. In the US market, tech startups raised over US$75 billion each quarter, according to HSBC Innovation Banking.[1]**

But the headline statistics don't tell the full story. With volumes increasingly concentrated among a handful of top private companies, including OpenAI, the number of deals has slowed to levels last seen a decade ago.

VC investment today is heavily concentrated around the biggest private companies. Even at Series B stage, more than half the companies raising funding in 2025 were already valued at over US$100 million. Seed rounds are also getting bigger, as VC investors bet heavily on earlier-stage AI companies.

Globally, HSBC recorded 233 investments of over US$100 million in AI startups globally in the first 10 months of 2025. While the US accounted for over 70% of those deals, Europe and Asia Pacific each hosted 30 mega-rounds — including a US$112 million raise for Australia-based Healthtech company Harrison.ai.[2]

The skew towards these mega-rounds reflects the scale of capex required to fund AI investments and underlines investors' confidence in the AI ecosystem. At the same time, however, it highlights the challenge facing smaller, non-AI startups that are competing for a slice of a shrinking pie.

Overall, VC firms in the US raised less money in 2025 than they did the previous year, and established firms continued to dominate fundraising.

The latest edition of HSBC's proprietary Funding the Future Survey, published in December, also found that confidence among VC investors has moderated slightly.

A slim majority (55%) of private market investors foresee an increase in activity over the next 12 months, down from 74% in the previous edition of the survey in October.[3]

For Australian firms looking to raise capital, a clear monetisation strategy, scale and global partnerships will be key to capturing investors' attention.

While capital raising is never easy, we see plenty of reasons why Australia's tech ecosystem can rise to the challenge.

One is their track record for efficiency.

While no country can match the US for the scale or depth of VC funding, Australia creates more unicorns per dollar of venture capital invested than any other country, according to Dealroom.co.[4]

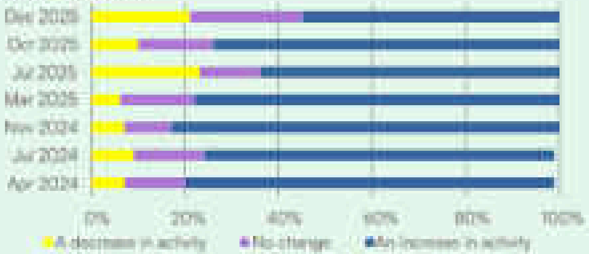
Australia also has a thriving startup ecosystem, with more than 1,000 AI startups, rapid growth in climate and clean technology, and a healthy crop of maturing fintech businesses. Funding for digital infrastructure is rising rapidly: investments in data centres are expected to reach 2% of GDP by 2029.

The Australian Government's recently released National AI Plan also makes it clear that AI is now considered a critical national capability, which should unlock more public procurement activity and encourage private investment.

On top of over A$460 million in existing AI-related government funding, the Plan includes a new "AI Accelerator" funding round under the government's Cooperative Research Centres programme.

Globally, continued enthusiasm around AI suggests that VC funding looks set to remain a scarce commodity for all but the biggest AI companies. Startups everywhere will need a compelling case to capture investors' attention.

**How do you foresee VC/PE activity over the coming year? (VC/PE investors)**




Source: HSBC Funding the future survey

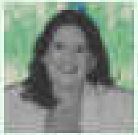
**Alan Watters**
Head of Innovation Banking Australia and NZ, HSBC

(3) 2026: Bullish hopes or bubble fears, HSBC Global Investment Research, December 2025

# Winning capital now demands more than interest

Accessing funding over the past twelve months has been difficult for the businesses we support. Raises are taking longer and securing a lead has proven challenging, even with investor interest. Many founders are raising locally and internationally simultaneously, which adds friction through different domiciling requirements.

In response, founders are prioritising go-to-market, operational efficiency, and cash discipline. They're unlocking new revenue from existing products and, in some cases, pausing product roadmaps until cash arrives. We're seeing businesses that have existed for five or ten years activating in new ways because access to data through AI has transformed their product roadmaps and opened far more revenue opportunities. In health specifically, AI is enabling diagnostics and earlier disease identification, which is genuinely thrilling. From an advisory perspective, we've shifted toward outcome-based engagements and success fees across services, not just capital raising, so we can continue supporting founders without loading costs onto cash-strapped businesses. Right now, getting cash in matters more than running the perfect playbook.



**Nicole Cook**
Managing Partner, March Collective

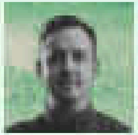
Over the last twelve months, we have observed really strong deal flow at the earlier stage and up to Series A, with some fantastic companies applying for funding. Competition for good opportunities has been quite strong, but the standout shift has been fewer early-stage VCs willing to lead. Many investors are supporting and following on, but a lot are also reserving capital for their own portfolios.

That dynamic is making it harder for early stage founders to secure an initial lead and a term sheet, even when they have strong interest and it is also stretching timelines. Once a lead is found, it can take longer to get a larger group of investors on the same page. We have seen the time between raises increase, and rounds themselves can take quite a while to close. The bottleneck is finding the lead, and that single missing piece is extending otherwise high-quality rounds.

**Kylie Gerrard**
General Partner,
Purpose Ventures

We have seen a dramatic spike in quality deal flow in the last quarter, and we are fighting harder to get into the best opportunities. That competitiveness is a great sign for Australia because it points to a deeper and richer pipeline of high-quality founders. It forces us to move quickly without cutting corners. The bar to win allocation in these companies has risen, and it is no longer enough to just show up at the round.

An ability to demonstrate your potential value as an investor early, well before a term sheet, provides a clear differentiator. For us, that means providing introductions to other potential strategic investors to help founders complete their syndicates. We also look for the immediate headaches founders are facing and find ways to help solve them through our network. When you are already able to help solve problems pre-cheque, your conviction is demonstrated and you are already invested in their success.



**Leigh Ford**
Investment Manager,
UniQuest Extension Fund

# Deals bigger than $50 Million

**firmus**
$500M
Strategic Investment
Artificial Intelligence

**Airwallex**
$498M
Series G
Fintech

**firmus**
$330M
Strategic Investment
Artificial Intelligence

**synchron**
$303M
Series D
Biotech / Medtech

**Airwallex**
$232M
Series F
Fintech

**Harrison.ai**
$179M
Series C
Biotech / Medtech

**AdvanCell**
$171M
Series C
Biotech / Medtech

**Saluda Medical**
$153M
Series E
Biotech / Medtech

**Infravision**
$139M
Series B
Climate Tech / Cleantech

**Heidi**
$98M
Series B
Healthtech

**Morse Micro**
$88M
Series C
Hardware / Robotics / IoT

**ROLLER**
$77M
Series B
Enterprise / Biz Software

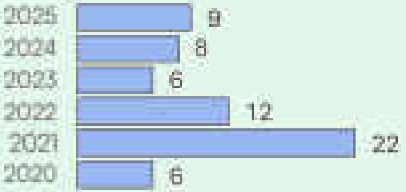
**RAYGEN**
$75M
Series D
Climate Tech / Cleantech

**PANO**
$68M
Series B
Climate Tech / Cleantech

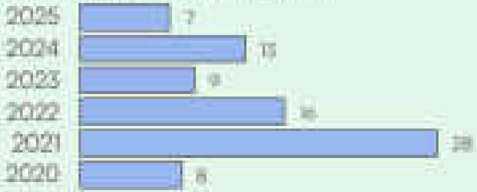
**Lorikeet**
$54M
Series A
Artificial Intelligence

**IND.T**
$50M
Unknown
Hardware / Robotics / IoT

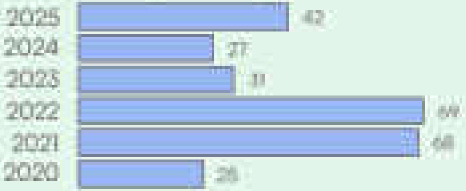
Deals greater than $100M




Deals between $50M and $100M



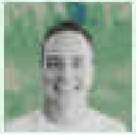

Deals between $20M and $50M



# Competition remains, but diligence timeframes healthy

The overall sentiment for 2025 is healthy and strengthening, but it is clearly bifurcating. If you have a good AI story and demonstrated implementation, you will be okay; if you have not found a way to integrate AI to accelerate growth, you're probably in trouble if you need money.

Valuations continue to rise when the AI narrative is strong. Without it, interest simply is not there. The market is rewarding teams that can iterate quickly and show real lift from AI tooling, rather than just promises. In 2025, the dividing line was whether AI implementation became a core competency.
If not, you're unlikely to get investor support in 2026.



**Don McKenzie**
Co-Founder, Tribe Global Ventures

Deal flow has been positive, with the number and quality of deals increasing over the last 12 months. Competition is there, but it is more measured. As Series A/B+ investors, we see the thriving ecosystem producing more and more exciting opportunities. The capital efficiency learnings from post 2021 have become embedded and are showing up in performance numbers. Valuations have also moved to more normalised levels.

Deals are getting done within healthy timeframes that allow for proper due diligence without being overly disruptive to founders. We have always focused on late-stage investments, and that has continued in 2025. If anything, we are trending later and larger as these opportunities present themselves.

**James Johnstone**
Partner, Beiedor

Venture is cyclical, and after a tough couple of years it's clear the Australian angel market is entering a healthier phase — one defined by stronger founders, disciplined valuations, and investors willing to move again. At Horizon we've completed nine high-conviction investments this year, with an average cheque size of over $250k, many of them sourced directly through our member network. Looking into 2026, improving exit conditions, a deepening pipeline of quality opportunities, and growing member-led deal flow give us real confidence in what's ahead.

**Ian Gardiner**
Co-Founder, Innovation Bay

# Deals bigger than $20 Million

| Company | Amount | Round | Sector |
|---|---|---|---|
| Vaxxas | $49M | Series D | Biotech / Medtech |
| Hypersonix | $46M | Series A | Space / Aviation / Defence |
| Octopus Deploy | $46M | Series B | Devtech / Developer Tools |
| amber | $45M | Series D | Climate Tech / Cleantech |
| QSIC | $40M | Series B | Martech / Adtech / Salestech |
| Sonder | $40M | Series C | Healthtech |
| Seer medical | $40M | Strategic Investment | Biotech / Medtech |
| PolyActiva | $40M | Series C | Biotech / Medtech |
| Blinq | $39M | Series A | Martech / Adtech / Salestech |
| SKUTOPIA | $38M | Unknown | Transport / Logistics / Supply |
| Relevance AI | $37M | Series B | Artificial Intelligence |
| nexl | $35M | Series B | Legaltech |
| EMA Respiratory | $34M | Series B | Biotech / Medtech |
| Quantum Brilliance | $32M | Series A | Deep Tech |
| sphere | $32M | Series A | Fintech |
| EVO Power | $31M | Unknown | Climate Tech / Cleantech |
| AMSL Aero | $30M | Series B | Space / Aviation / Defence |
| Carma | $30M | Series B | Marketplace |
| | $30M | Series B | Hardware / Robotics / IoT |
| OpenSolar | $30M | Unknown | Climate Tech / Cleantech |
| Maincode | $30M | Unknown | Artifical Intelligence |

"

As a late-stage investor, we're noticing a clear increase in appetite for growth-stage opportunities. A major driver is the IPO window starting to reopen in both the US and Australia. We're seeing several high-quality companies preparing to list, and there's been a noticeable uptick in compelling pre-IPO opportunities in the final quarter.

When the IPO window starts to open, it gives investors confidence that there is a credible path to liquidity. That confidence flows straight into the growth stage: investors can see clearer exit timelines, which makes them more willing to back these companies. Many of the businesses that have been "IPO ready" for the past 18–24 months are now coming back to the market to raise capital, and that momentum only reinforces interest from growth-stage investors.

At the end of the day, what really drives late-stage activity is a clear, realistic path to liquidity (whether through IPO or M&A) unlocking investor appetite and gets the market moving.

**Beau Huizenga**
Partner, Wunala Capital

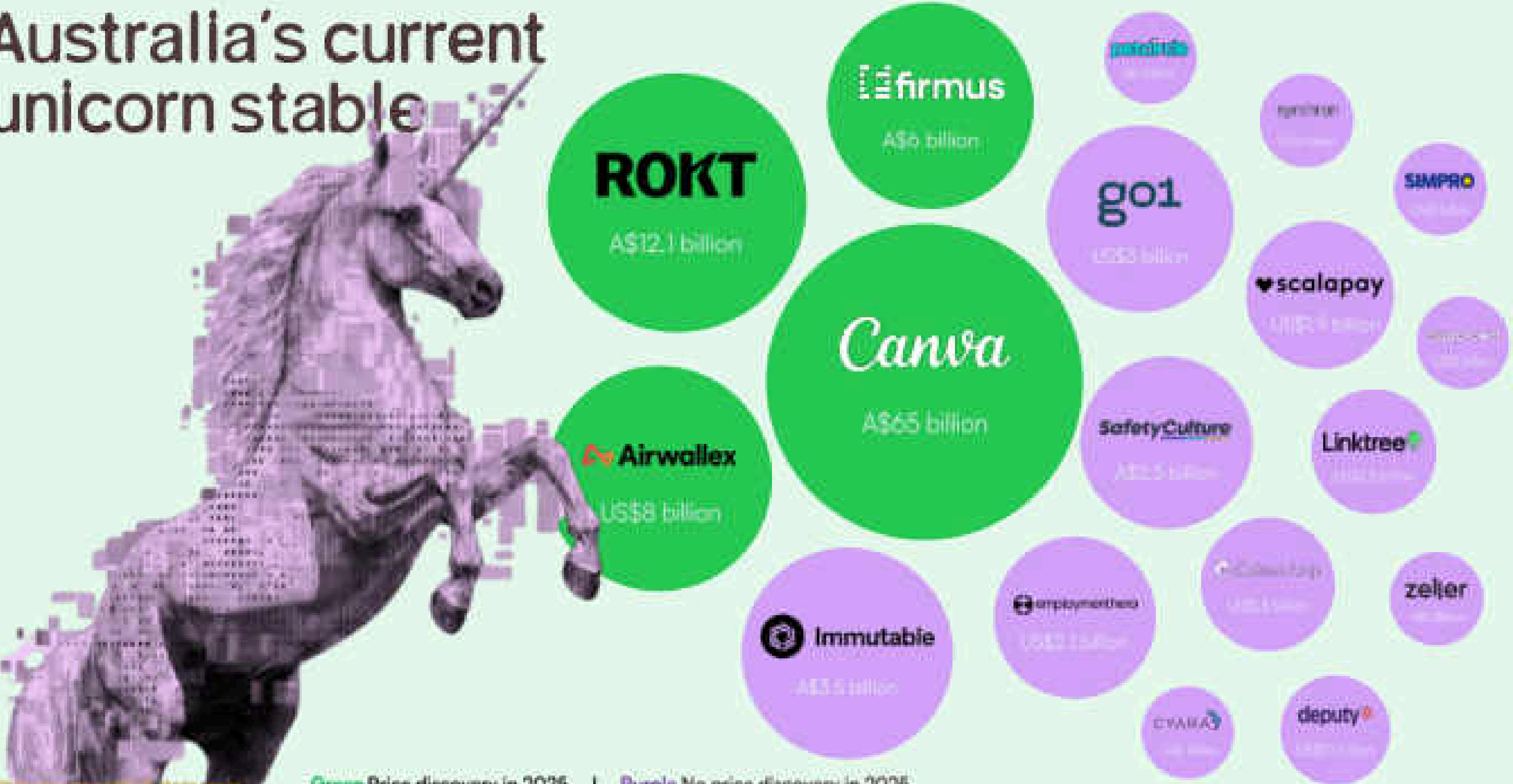
# Deals bigger than $20 Million (continued)

| Company | Amount | Round | Sector |
|---|---|---|---|
| kasada | $30M | Series D | Cyber / Privacy / ID |
| RAGE Biotech | $29M | Series A | Biotech / Medtech |
| ElectraLith | $28M | Series A | Climate Tech / Cleantech |
| Heidi | $27M | Series A - Ext | Healthtech |
| optain | $26M | Series A | Biotech / Medtech |
| Relectrify | $25M | Series C | Hardware / Robotics / IoT |
| PropHero | $25M | Series A | Proptech / Realtech / Const |
| BROOKI | $25M | Unknown | Food / Beverage |
| SUNDRIVE | $25M | Series B | Climate Tech / Cleantech |
| Lumonus | $25M | Series B | Healthtech |
| pay.com.au | $25M | Unknown | Fintech |
| BetterFleet | $24M | Series A | Transport / Logistics / Supply |
| andromeda | $23M | Series A | Hardware / Robotics / IoT |
| ATEC | $23M | Series B | Hardware / Robotics / IoT |
| Linkby | $23M | Series B | Martech / Adtech / Salestech |
| MEQ | $23M | Series A | Agriculture / Agtech |
| the memo. | $20M | Unknown | Ecommerce / Retail |
| AMP | $20M | Unknown | Martech / Adtech / Salestech |
| [illegible] | $20M | Series C | Cyber / Privacy / ID |
| Great Question | $20M | Series A | Martech / Adtech / Salestech |
| MARKETPLACER | $20M | Series D | Devtech / Developer Tools |

> The overall sentiment in 2025 is positive, but we're clearly operating in a two-speed environment. Companies with strong metrics, real scale, and clear growth are seeing competitive rounds come together quickly, while others are facing slower, more protracted processes where momentum can fall away. The bar has risen, and the divide between the high-growth flyers and the rest of the market is wider than I've seen in previous years.
>
> Investors are becoming more selective and are aggressively pursuing the top performers. Competition is back, term sheets are arriving faster, and capital is concentrating in the strongest performers. Once investors are in a high-conviction deal, they double down and keep it tight, which appears to be pushing everyone to go earlier. It's an environment that rewards clarity, execution, and commercial traction — the strongest companies are pulling away, and the rest are finding it harder to keep pace.

**Manon Dennison**
Investment Manager, Gandel Invest

# Australia's current unicorn stable




Green Price discovery in 2025 | Purple No price discovery in 2025

# AI's omnipresence blurs sector lines

**In 2025, investors reported channelling their capital into a small number of sectors they believe can sustain an advantage over time. AI-led total dollars, but that label now says less about what a company actually does. As AI capabilities spread across software, hardware and the sciences, tagging companies as "AI" is becoming as unhelpful as "Cloud" became. See page 66 for a deeper look at funding flows to startups using AI in their stack.**

Firmus' two mega-rounds heavily influenced the AI result, accounting for a material share of AI-labelled capital through large infrastructure raises. More broadly, AI is no longer a discrete vertical. It now sits as an embedded layer across most tech stacks, shaping product roadmaps across categories that would not have called themselves "AI" even two years ago. Many companies founded well before the 2022 "ChatGPT moment" are now integrating AI into existing platforms, which makes sector attribution a blunt measure of where AI value is being created.

Outside AI, Biotech/Medtech led activity, recording the highest deal count and overtaking Climate Tech after its two-year run at the top. Fintech continued to attract substantial capital, while Hardware, Robotics and IoT showed resilience despite a narrower investor base. Most other sectors declined compared to 2024, with consumer-facing categories and Crypto, Media and EdTech struggling to attract capital, reinforcing trends from prior years.

**15 of 25**

sectors saw a fall in capital raised compared to 2024

**49 deals**

in Biotech / Medtech, securing top deal count spot, usurping Climate Tech after its two-year run

**Investments by sector (arrow indicates increase or decrease from 2024)**

# Web3's resilient ascent: Opportunities for 2026 investors

**Web3 navigated a volatile 2025 with underlying strength in its fundamentals, transforming into a maturing ecosystem ripe for more adoption and strategic investment. While crypto markets endured sharp fluctuations largely driven by macroeconomic factors and leverage unwinds, the sector's fundamentals advanced steadily.**

Monthly active wallet addresses surpassed 181 million, blockchain speeds reached 3,400 transactions per second (vs Nasdaq trades at 2400 TPS), stablecoins AUM (>$300 billion) and transaction volumes (>$46 trillion) reached all-time highs, tokenisation of real-world assets such as private credit, treasuries, and alternative funds more than doubled to $37 billion and institutional inflows through exchange-traded products (ETPs) exceeded $175 billion.

Notable progress included a resurgence in IPO activity, with firms like Circle, Gemini, Bullish, and Galaxy Digital successfully listing, their debuts underscoring investor confidence. Circle's shares, for instance, more than tripled post-IPO. A vast number of custodians, infrastructure companies and exchanges are expected to go public in 2026. Additionally, there was increased M&A activity as TradFi firms made key Web3 acquisitions to expand their product offerings such as Stripe's acquisition of Bridge, a stable-coin infrastructure company, for $1.1 billion. These milestones, alongside the proliferation of global crypto ETPs managing $222 billion, signal Web3's shift toward better product market fit and sustainability.

## U.S. regulations as global accelerators

The U.S. made significant strides in crypto legislation during 2025, delivering much-needed regulatory clarity to the industry. The GENIUS Act, enacted in July, imposed reserves and audits on stablecoins, boosting trust and facilitating greater institutional participation. The CLARITY Act seeks to delineate securities from commodities, potentially easing operations for DeFi and token-based projects. Complementing this, the FIT21 market structure bill continues to progress, aiming to empower the CFTC with spot market oversight and better define agency roles. If these landmark bills ultimately pass, they could pave the way for revenue-generating protocols to more confidently enable fee switches, allowing revenues to accrue to token holders and steering the market toward a greater emphasis on fundamentals and traditional valuation methods.

## DeFi's evolution into a core financial layer

Decentralised finance emerged as a standout, rebounding from mid-year corrections to close 2025 with funds on deposit/total value locked (TVL) in the ecosystem at ~$122 billion. This resilience stemmed from enhanced composability, where protocols seamlessly integrate borrowing and lending, trading, and yield optimisation, delivering yields between 5-20%. Platforms like Aave nearly doubled their (TVL) to $35 billion, while Decentralised Exchange daily volumes averaged $11 billion. Looking forward, projections anticipate (TVL) climbing beyond $200 billion in 2026. On-chain derivatives remain the highest revenue category in DeFi and we expect continued growth and investment in this area along with chain-abstracted UX infrastructure.

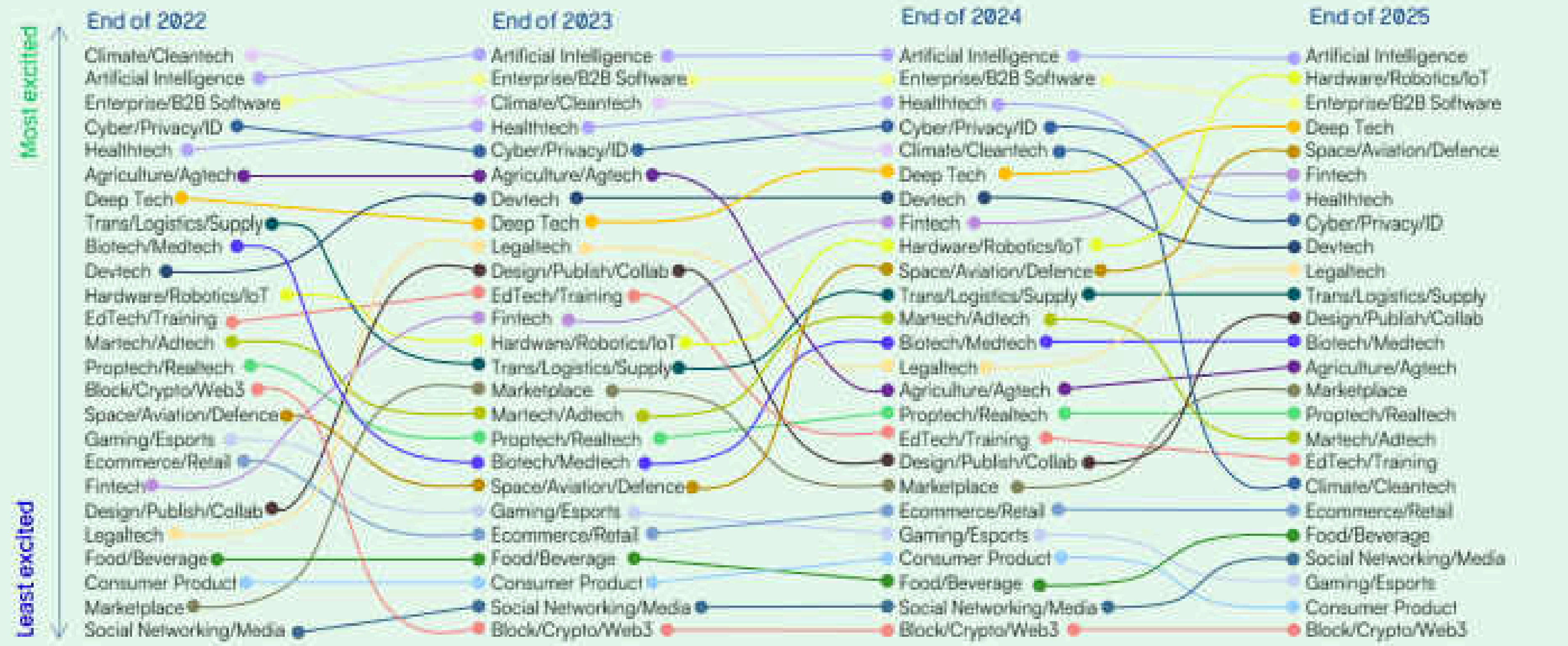
## Stablecoins anchoring real-world utility

Stablecoins were the standout success story of 2025, growing to a $300 billion market cap by December, representing a 46% increase from January and handling $46 trillion in annual volumes, on par with major payment giants. Dominated by USDT and USDC, they now hold ~$155 billion in U.S. Treasuries. Adoption deepened as 71% of payment providers incorporated them for efficient cross-border transfers. Forecasts suggest expansion to $3 trillion by 2030, as they bridge DeFi with everyday commerce and enable tokenisation of real world assets. Australia witnessed the launch of its first ASIC regulated stablecoin in AUDM, backed by ETP powerhouse Betashares. Stablecoin infrastructure relating to FX, payments, and money markets are investment verticals with strong tailwinds heading into 2026.

Taken together, these trends point to an industry moving beyond experimentation and into scaled, revenue-driven adoption. For investors, 2026 offers the chance to participate in a structurally stronger, increasingly indispensable Web3 economy.

David Wills
General Partner, Primal Capital

# Shifting investor popularity across sectors



# The evolution of Australian research institution-based investment funds

## The evolution

### Pre-2010s

To develop novel technologies to commercial outcomes Research Institutions (RIs), including universities, previously relied on non-dilutive grants, business development by technology transfer offices (TTOs), out-licensing IP and the occasional 'internal' seeding capital support. The core limitations to internally support development were lack of capital and capability gaps to bridge the 'valley of death' between lab results and investable ventures.

Early investment models, including Uniseed and the Medical Research Commercialisation Fund (MCRF), were designed to bridge the 'valley of death', helping ventures validate technology, de-risk IP, and create credible pathways to industry via the creation of startup companies and funding by venture capital.

### 2010s → 2020

Pressure grew to improve translation outcomes. Public discourse increasingly framed Australia as underperforming on translation despite its strength in research. The Government initiated several programs to provide both dilutive and non-dilutive funding to help commercialise research via spinouts, examples include Main Sequence Ventures, the Medical Research Future Fund (MRFF), and the Entrepreneurs' Programme (now the Industry Growth Program).

### 2020 → now

To improve commercial outcomes there remained a need for RIs themselves to provide early capital (i.e. Pre-Seed) to bridge the gap between proof-of-concept funding and private VC. RI investment funds evolved from small 'proof of concept' pools into increasingly sophisticated capital vehicles sitting inside or adjacent to an institution's commercialisation engines (TTOs / knowledge exchange / commercial offices).

Now many RIs are moving from 'one-off' translation grants to integrated, end-to-end funding pathways designed to produce more investable spinouts, attract external capital earlier, and convert research strength into durable economic and societal impact.

## Types of fund models

### Co-investment models

Victoria, through Breakthrough Victoria has systematised Pre-Seed translation at scale via BV's $100m University Innovation Platform, which matches (1:1) university capital into spinouts and university-linked startups explicitly targeting 'valley-of-death' translation.

### Captive funds

Several RIs leveraged internal capital derived from previous commercial success (revenue from licensing IP or exiting spinouts) to establish captive investment funds. These funds have no external LPs and often fund early-stage technology prior to external VC investment.

### Alumni and Platform Models (Emerging)

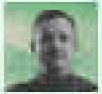
The Australian prototype for this model is Barker Street Ventures (UNSW), a digital syndication platform that connects vetted UNSW-backed companies with sophisticated / professional investors and streamlines compliance and execution.

### Why is it important for RIs to have funds?

1. Bridging the 'valley of death' supporting commercially promising research to traverse the 'valley of death' to reach a licensing deal or a spinout.
2. Strengthening Australian commercialisation: bolstering Australia's early-stage innovation sector (including formation of deep tech spinouts) provides long term benefits for Australia.
3. Building institutional capability (repeatable venture pathways): beyond capital, funds provide sophisticated support for spinouts through richer (VC) networks and investment experience, shape portfolio quality through backing the strongest translational teams, define sharper milestones, and 'pull through' follow-on capital by presenting assets to external VC that are more investable.
4. Improve RI impact: amid the increasing competitiveness of non-dilutive discovery and translation grants, internal funds can help RIs maintain technology development momentum and support more opportunities getting to market.
5. Alumni engagement and ecosystem flywheel having the ability to invest in Alumni startups or provide de-risked high-quality early-stage investment opportunities to alumni provides a significant opportunity to enrich an RIs alumni network.

## Active research institution-based investment funds

| Research Institute | Entity / Fund |
| --- | --- |
| CSIRO (ACT) – now external | Main Sequence Ventures |
| University of Melbourne (VIC) | Tin Alley Ventures<br>Genesis Fund |
| Monash University (VIC) | Monash Ventures<br>Pre-Seed Fund |
| La Trobe University (VIC) | Eagle Fund |
| Deakin University (VIC) | Deakin BVUIP |
| Swinburne (VIC) | Swinburne Ventures BVUIP |
| RMIT (VIC) | RMIT Breakthrough Pre-Seed |
| Australian Catholic University (VIC) | ACA BVUIP |
| WEHI (VIC) | Abtaci (WEHI Ventures) |
| UNSW (NSW) | Commercialisation Seed Fund<br>Pre-Seed Investment Fund<br>Barker Street Ventures |
| University of Sydney (NSW) | Pre-Seed Launch Fund |
| The University of Queensland (QLD) | UniQuest Extension Fund |



**Leigh Ford**
Investment Manager,
UniQuest Extension Fund

**Callum Bezon**
Senior Investment Manager,
Monash University

**Maria Halasz**
Head of New Ventures,
UNSW

# Gains for women founders, but scaled funding remains elusive

**Participation by women founders remained strongest at the earliest stages, but momentum weakened as companies moved into growth rounds. The data reinforces a familiar pattern: early access is improving far faster than scaled capital availability.**

At the earliest stages, Angel and Pre-Seed participation remained relatively strong, though softer than in 2024. Targeted programs, angels and specialist funds continue to support this progress. However, the year-on-year decline shows these gains remain fragile.

The drop is more pronounced at Series A, where representation fell, highlighting the structural challenge of converting early traction into growth-stage backing. Series B+ showed some improvement, but off a small deal count, and it does not yet signal a durable shift in how scale capital is allocated.

At the top-line, the share of deals involving at least one womanfounder improved relative to 2024, while the share of capital remained uneven, with a small handful of female-led companies taking the lion's share of capital deployed. As explored in the State of Gender Equity section of this report, meaningful change depends on whether early-stage inclusion carries through to the stages where capital, ownership and influence compound.

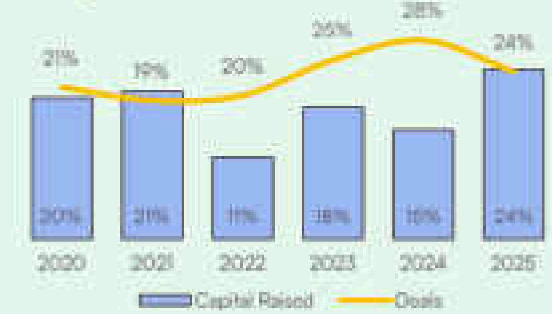
**32%**
of Angel + Pre-Seed deals had women founders
(down from 42% in 2024)

**23%**
of Seed deals had women founders
(down from 29% in 2024)

**14%**
of Series A deals had women founders
(down from 19% in 2024)

**21%**
of Series B+ deals had women founders
(up from 16% in 2024)

**Share of capital raised and % of deals to founding team with at least one female founder**

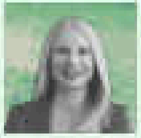



As a Californian based firm, we invest in female tech founders across Australia and the U.S., with an 'outside-in' view of the incredible innovation coming out of Australia.

Several of our top performers are Aussie-founded, but Australia is still undervalued compared to equivalent rounds in the U.S. The female tech founders we met in 2025 were bullish about growth opportunities and are already seeing real results from using AI to drive revenue and outcomes.

The disconnect is that investor sentiment has been more cautious. It has been a challenging fundraising environment, with revenue traction expected much earlier than in previous years and LPs pushing for liquidity sooner than the typical exit horizon.

We expect 2026 will be the breakout year for the ecosystem, with high-quality unicorns and decacorns going public or exiting via M&A. That will put Australia on the world stage and bring more international investors in earlier, and our hope is that local VC and LPs allocate more to venture and female tech founders to help fuel the next wave of innovation.

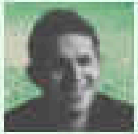


Marisa Warren
Founder and Managing Partner, ALAVIA Ventures

"

Sentiment in the Australian startup funding market for 2025 is strong. It is a great time to be investing in Australia, with exceptional founders and companies continuing to break out on the global stage. AI has created a new revolution and a fresh set of opportunities for entrepreneurs who can execute at speed.

Australia is producing the highest number of unicorns per dollar invested in the world and it punches above its weight. Overseas investors are waking up to the opportunity here, with VCs from Europe, the US and Asia deploying capital in Australia. While valuations always depend on the company, the round and the demand, Australia continues to be significantly underpriced relative to the size of the opportunity and to peers in other markets.



**Ben Grabiner**
Founding Partner, Side Stage Ventures

"

After checking the bar tab from prior years, the markets sobered up in 2025. Investors re-anchored around the fundamentals of moats, criticality, and defensible unit economics that deliver genuine value to customers. While foundation models have collapsed the timeline from inception to MVP, the core tenets of building an enduring company haven't changed. What has changed is the question founders are asking — not how to build with AI, but what is now worth building.

Healthy competition continues to define the Australian venture ecosystem: 59% of early-stage deals were competitive, up from 30% in 2024. This environment rewards founders who execute with relentless speed and maintain a global ambition from day one. It's a strategy validated by the fact that over 70% of Series A rounds now attract international capital; for instance, Andreessen Horowitz led the US$21 million Series A for our portfolio company Sphere. This intensity drove a surge in both the volume and quality of opportunities in late 2025, a trend I expect to accelerate into 2026. Investors have also calibrated to this reality with heightened selectivity, yet they show more patience with talented teams tackling high value problems.

The opportunity has now graduated from incremental workflow improvements to reinventing how entire industries operate, and there has never been a better time to be a part of early stage investing.

**Divine Aaron**
Investor, Folklore Ventures

# Selective LP support in a difficult fundraising year for venture funds

**Venture fund fundraising remained challenging in 2025, despite pockets of success for a select few. The prevailing dynamic was constraint rather than momentum, with LP caution shaping outcomes across the market.**

A number of Australian funds did close sizeable vehicles in 2025, but these wins sat against a far tougher backdrop for most managers. Investor survey results point to uneven outcomes, with many funds raising below target and a *meaningful* cohort either still in market or unable to progress. The data reinforce the view that access to LP capital was selective and increasingly concentrated.

For many managers, the reality was that funds were smaller than initially planned. Several funds adjusted expectations mid-process, while others paused or abandoned fundraising altogether, shifting focus to managing existing portfolios rather than deploying fresh capital. This behaviour reflects risk aversion at the LP level rather than a lack of venture opportunity.

The Australian experience also mirrors conditions offshore, where global venture markets saw sharply reduced flows into new funds. Against that backdrop, modest optimism for future LP appetite reflects hope rather than resolution. The market enters the next cycle leaner, more selective, and increasingly defined by which managers can demonstrate clear differentiation, track record, and discipline.

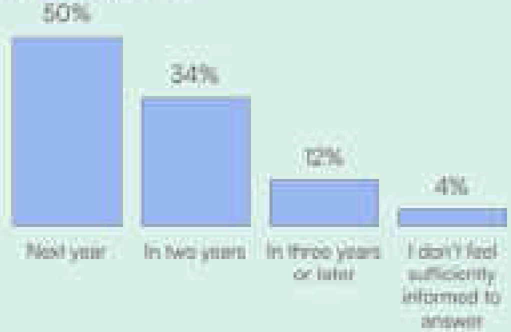
## Investor insights

**30%** of investors who raised in 2025 raised more than they targeted

**35%** of investors who raised in 2025 raised less than they targeted

**Did your firm raise a new fund in 2025?**


**When does your firm expect to raise its next fund?**




**What was your perception of Limited Partner appetite for Australian venture capital in 2025 compared with recent years?**

# International capital steps in as rounds scale

**International investor participation continued to climb in 2025, with overseas capital now embedded across the majority of deals. As round sizes increase, founders are increasingly looking offshore, reflecting both strong global interest in Australian startups and structural limits in the local capital base.**

At the early stages, Australia continues to benefit from a deep pool of local angels and small-cheque investors, supporting healthy local participation at Pre-Seed and Seed. That depth thins quickly as companies move into Series A and beyond, where the number of domestic investors able to write $5 million plus cheques narrows sharply. For rounds of $10 million or more, the local market becomes even more constrained, pushing founders to seek international investors out of necessity rather than preference.

This dynamic is reflected in the data, with international investor involvement rising most strongly from Series A onwards. Founders report actively targeting overseas funds for their ability to lead larger rounds, support global expansion and take on more risk at scale.

The result is a structurally international growth market. Australian investors provide early momentum, while global capital increasingly underwrites the path to scale.

## Investor insights

**63%**

local investors expect overseas investors to increase activity in Australia in 2026

(up from 62% in 2024)

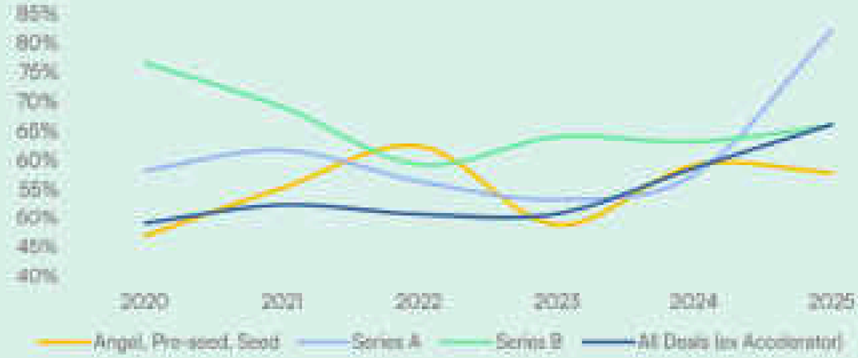
**66%**

2025 deals* included at least one international investor

(up from 57% in 2024)

(*) Excludes Accelerator deals

### Percentage of deals participated in by International Investors




## Founder insights

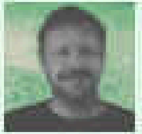
### Did you actively pursue investment from any overseas investors?


### Top 5 reasons to seek funding from an international investor

1. Size of investment possible
2. Greater risk appetite among international investors
3. Support in global business expansion
4. More favourable valuation and deal terms
5. Limited local funding options

"Over the past year Black Sheep continued to be pre-seed focused, a focus we are likely to continue. In our opinion pre-seed was where the biggest opportunity sat in Australia. It was the stage least likely to be affected by global funds becoming more active, and also the stage most likely to benefit from their presence. We had world class talent looking to build, but a chronically shallow pool of capital could find conviction at the very start. We also noticed a trend that local investors more than ever had to compete on actual value add, speed, and most of all conviction, not proximity. As global funds embedded themselves, everyone across the board had to lift their game.

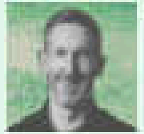
We did not focus on any sector or vertical in particular, although we found ourselves investing in more HealthTech than planned. That was led by access to high-quality and experienced founders we had known for some time and many we had worked with, which made it more attractive and also easier deals to complete."



**Daniel Gavel**
Partner, Black Sheep Capital

"Sentiment in Australian startup funding is steadily improving. Conditions are meaningfully stronger than this time last year, with the recovery led by increased pre-seed activity. Seed and Series A rounds are still taking considerable time to come together, often stretching founder timelines. One clear shift we're seeing is growing interest from international investors across pre-seed, seed and Series A rounds in Australia.

This interest reflects a broader recognition that Australian startups consistently punch above their weight, alongside challenges faced by some funds in Asia, a perception that the local market is less competitive than Europe or the US, and the widespread presence of early-stage valuation discounts that can deliver meaningful uplift if a company later raises in the US."



**Mike Abbott**
General Manager, Antler

"In 2025, we've seen a clear shift in founder ambition and market momentum, driven by the rapid adoption of applied AI. What's been most compelling is that this isn't confined to the digital layer — founders are increasingly building physical products and hardware that unlock novel real-world data and translate AI capability into tangible outcomes.

At the same time, liquidity pathways across global markets are reopening, particularly in the Northern Hemisphere. That momentum is starting to show up in Australia, with high-quality companies seeing genuine inbound interest and engaging on exit pathways from positions of strength."

**Nick Capell**
Investment Director
QIC

# Discipline defines dealmaking in 2025

**Investor behaviour in 2025 reflected a market that is running more smoothly, but still anchored in restraint. The shift reflects adjusted pace, process and expectations after recent multi-year volatility, not renewed risk appetite.**

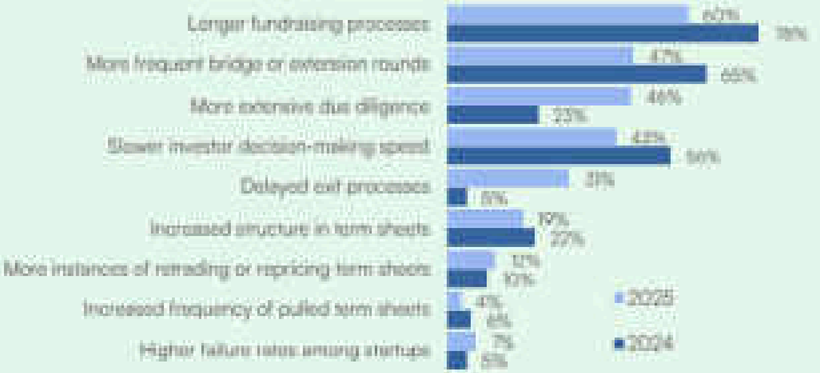
Fundraising processes still took longer and faced more scrutiny, even as conditions improved. Investors reported slower decision-making, deeper diligence and continued reliance on bridge and extension rounds. These dynamics suggest discipline is becoming embedded in local investors' ways of working.

Some pressure points have eased. Fewer investors reported occurrences of down rounds, and more say they made more investments than they expected in 2025. This suggests growing comfort with current pricing and risk levels, and a gradual normalisation after the 2023 reset.

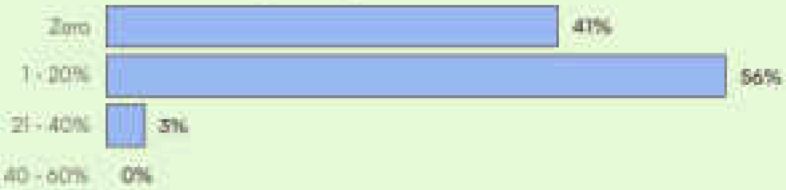
Investor engagement with founders also looks different. A sizable lift in outbound activity suggests funds are working harder to source high-quality opportunities, while keeping terms structured and deployment selective. The market is moving forward at a measured pace, with momentum returning but with guardrails firmly in place.

## Investor insights

**What changes in fundraising dynamics have you observed as a result of the change in market environment in 2025?**




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




**22%** investors said they made more investments than expected in 2025
(up from 14% in 2024)

**33%** investors said at least 20% of their investments were in unannounced bridging rounds
(down 29% in 2024)

**81%** investors said they increased their level of outbound to founders in 2025
(up from 43% in 2024)

**59%** investors said that at least 20% of the deals they participated in were down rounds
(up from 29% in 2024)

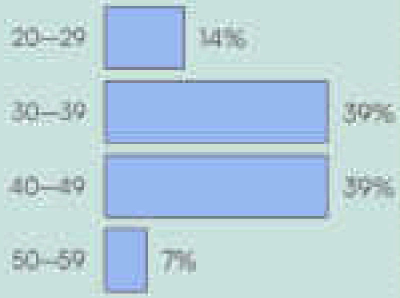
# Investors we surveyed

## Gender

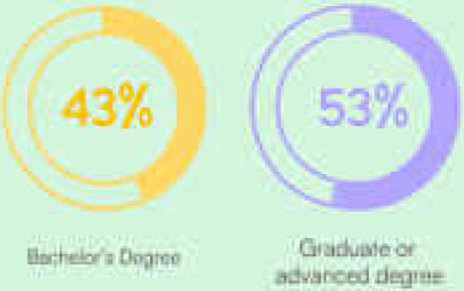
**68%** Men

**32%** Women

## Age



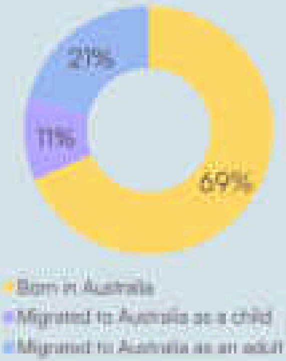

## Highest level of education



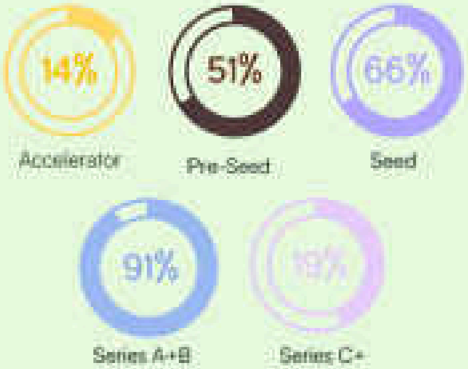

## State of Residence


## Ethnicity

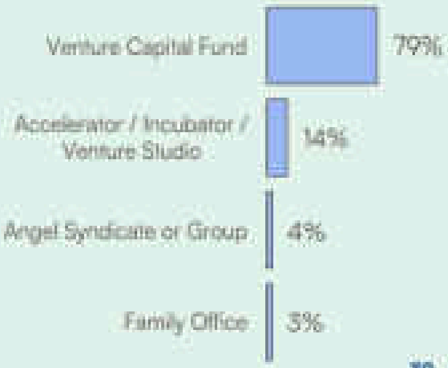

## Heritage




## Investing stage



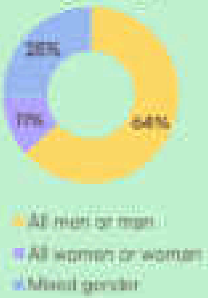

## Works at a



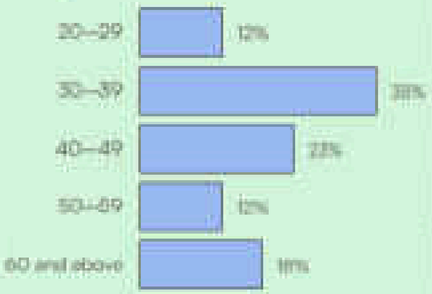
# Founders we surveyed

## Gender

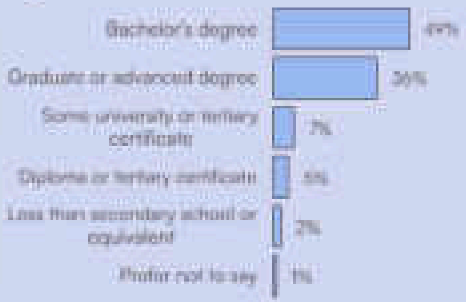

## Founding team genders




## Age

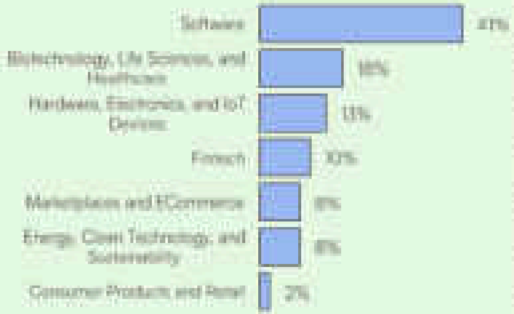



## Highest education level



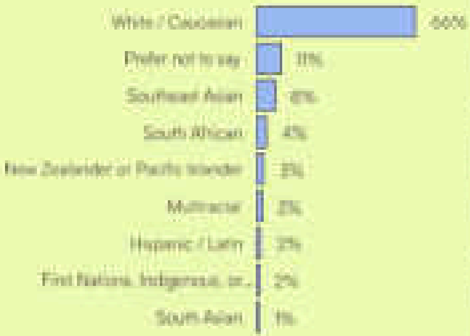

## State of Residence


## Startup Segment




## Heritage


## Ethnicity




## Role at the company


## Size of founding team

# Australia's startup archetypes no longer hold

**The shape of Australian startup ecosystem is changing rapidly.**

The cost and accessibility of building has collapsed. AI tooling, cloud infrastructure and global distribution now allow founders to launch and grow credible businesses without the capital intensity, technical pedigree or privileged networks that defined the last decade.

What is clear from the earliest stages startup ecosystem, is that we are not only a seeing significant changes in how companies are being built. But a change in who is building them.

A shift that is yet to be translated across our funding landscape.

Recent years have seen the early-stage startup building become increasingly characterised by capital discipline, operational leverage and revenue-first strategies. Notable alongside this shift, is that we are also seeing more high-growth startups emerging across sectors that historically sit outside venture's core focus, creating value in ways that do not map cleanly to the growth curves that defined the 2010 to 2021 period.

What stood out most to me in this year's data was that despite a more conservative market environment and a clear shift in investor sentiment toward profitability, funding decisions between Seed and Series A remained closely aligned to last-cycle reference points. Signals like speed to scale, compressed growth trajectories, and early institutional readiness continue to dominate advancement criteria.

These signals are, of course, familiar components of venture underwriting. Though as we trend toward increasing levels of homogeneity in our late-stage founders and startups, it becomes increasingly clear that our middle-to-late-stage heuristics and underwriting bench marks serve more as filter of sameness, than potential.

As we settle further into a post-ZIRP and increasingly institutionalised funding environment, an over-reliance on narrow historical reference classes will carry increasing opportunity cost.

If we are to build a resilient and future fit funding ecosystem, we must calibrate our indicators of success to include the broader range of founder profiles that carry strengths across varying business types, operating logics, and value levers.

The next generation of standout companies already look different to the last. To lead the next wave of innovation, we must first acknowledge the reality that different founders build different companies, and build companies differently. Success in the next decade requires moving beyond the archetypes of our historic winners and enhancing our recognition of potential in its purest form.

Majella Campbell
CEO, Fishburners

# Why community-led growth matters more in a capital-constrained market

**Community is the new currency in business. In today's more selective and competitive funding landscape, founders and investors are rethinking how growth is sustained. While Australian startups collectively raised ~ $4 billion in 2024, total deal volumes and investor confidence reveal a market that is more cautious and deliberate than in the past.**

In this context, community-led growth is not a nice-to-have. It has become a strategic asset that deepens trust with customers, creates meaningful impact on people's lives and ultimately reduces reliance on external capital as businesses build brands that are sustained by a community flywheel of referrals and trust.

So what do we mean by "community-led growth"? In essence, it is growth that emerges from genuine relationships built between a business and a network of people who share common goals. In business, we define a "community" as a group of people connected by a shared purpose who support each other regularly. This is not a static newsletter. We're talking about real spaces where people connect and actually want to help each other, whether that's in a WhatsApp Community or weekly dinners.

Ultimately when we, as founders, approach scaling through community building, we are not simply chasing growth at all costs. Instead, we co-create value with customers, listen to their voices, and give them a seat at the table every step of the way.

Just as the purpose of driving a car isn't to fill it with fuel, the purpose of building a business is not to raise money or generate revenue. It's about improving lives and leaving the world in a better place.

**Community-led growth does exactly that.**

So how does community-led growth actually help businesses when capital is constrained? There are three core advantages:

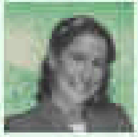
**First, community drives organic and sustainable growth through word-of-mouth.** Communities become self-propelling engines of growth. Customers who feel genuinely connected to a brand naturally share it with others, reducing reliance on costly paid channels. For example, Canva has cultivated thousands of Canvassadors, passionate Ambassadors who actively teach, share, and promote Canva daily, creating a viral organic growth loop. The dream right?!

**Second, community builds trust and strengthens brand credibility.** Trust drives retention, and retention drives predictable revenue. Customers who engage in meaningful ways with a brand stick around longer, explore new features, and advocate for the company. For example, KIC, a leading Aussie health and fitness app, has built an active Facebook community where women exercise, share progress, and provide feedback on new features. By involving members directly in the app's evolution, Co-Founders Steph and Laura have cultivated deep trust and long-term loyalty with their members. Not to mention a bucket load of fun user generated content to share across the brands channels.

**Third, community enhances resilience during unpredictable markets.** A strong community stabilises a business when external conditions fluctuate. In tighter markets, acquisition slows and investment may be harder to secure, but an engaged customer base provides continuity, insight, and support. For example, Culture Amp leverages its 100+ volunteer-led Culture First Chapters across 90+ cities to gather continuous feedback, ensuring that product and community initiatives can pivot effectively when market conditions shift.

**And there you have it my friends.**

To wrap, community-led growth isn't a shortcut or substitute for product quality. The priority remains to create a great product or service that positively impacts the lives of others. Once that foundation exists, genuine community scales growth and impact, creating a flywheel that compounds momentum. Each meaningful connection, every act of advocacy, adds energy that propels the business forward. Competitors may sprint through paid channels for short-term spikes, but community-led businesses generate self-sustaining movements that grow stronger with every shared interaction. In tighter markets, this flywheel becomes a lifeline, creating resilience, trust, and long-term value that no injection of capital alone can achieve.



Paz Pisarski
Co-Founder, The Community Collective

# Key legal due diligence risks when investing in AI

**As investor appetite for AI businesses continues to grow, many startups in non-AI native businesses are seeking to reposition themselves or emphasise AI elements in their fundraising narratives.**

AI has the potential to unlock growth in many traditional businesses, driving revenue higher while also lowering costs. For example, businesses in a range of sectors can use vertical AI models to build revenue by enhancing the customer experience (such as a fintech platform which gives customers a faster and more accurate lending assessment, or a Medtech service which can improve diagnosis and treat patients faster) while also lowering costs and mitigating risks (such as automating aspects of compliance, risk assessment and operational processes).

Investors are focusing their due diligence on scrutinising AI-enabled business models to make sure they will provide a sustainable competitive advantage and are not merely 'AI washing'. This includes the risk of being overtaken by larger global players and intellectual property (**IP**) risks with using third-party AI in the business. Evaluating an AI startup requires a deep dive into the "black box" of its technology to assess the authenticity of its claims as well as considering risks in relation to IP and regulatory issues.

## 1. 'AI washing'

'AI washing' involves making misleading claims about a business' use of AI, including exaggerating the extent to which its products, services or operations use AI (e.g. claiming a chatbot is powered by AI when it actually relies on keyword matching). Global regulators such as the SEC have begun imposing heavy fines for AI washing, and it is also on the ACCC's radar (particularly where businesses are misleading consumers about AI functionality in products or services contrary to the Australian Consumer Law).

As AI washing continues to proliferate, founders and investors should be careful in making claims about a startup's AI capabilities. For example:

- Investors are increasingly sceptical of services that only provide a minimal user interface over a third-party AI model, especially where a business is exaggerating the capabilities of its wrapper. These startups may also be particularly exposed to updates to the underlying AI model that replace or supersede the basic functionality of the "thin" wrapper.
- AI businesses sometimes overstate the capabilities of the AI system and conceal the involvement of humans in its operations. For example, a startup may claim to have a sophisticated public-facing AI agent, but in truth the back-end of the service is powered by low-cost human contractors, not AI. While such an approach can be helpful in developing and refining an AI company's business model, this can be a serious risk for investors.

To address the risk of AI washing, investors should ensure that they probe and seek to understand how a business is using AI at a technical level as part of the due diligence process to inform their assessment of AI-related claims.

## 2. IP risks

Some common IP risks that can arise for AI businesses are:

- **Third-party AI:** Many AI startups leverage third-party AI in their business. This may expose AI startups to risks from their reliance on third-party licensing agreements, including where there are significant changes to third-party functionality as AI technology continues to rapidly evolve. Some open-source models (e.g. Llama or Mistral) also have specific licensing requirements that need to be considered.
- **Developing proprietary AI:** Some AI businesses will have developed their own proprietary models and software, and in addition to ensuring ownership of the relevant IP rights, there may be additional IP risks arising from the development of AI technology. For example, training AI models could risk infringement of third-party IP where copyright subsists in works that are part of the training data.
- **Outputs:** There are also IP risks that could arise from the generation of "outputs" from AI systems, including potentially infringing third-party IP.

(continue next page)

# Key legal due diligence risks when investing in AI (continued)

Investors should consider these IP issues as part of the due diligence process to determine if an AI startup has sufficient IP rights to protect the value of its AI technology, as well as to mitigate the risk of IP infringement claims.

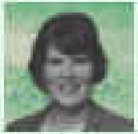
### 3. Regulatory risks

Founders and investors should be careful about the following regulatory risks:

**Consumer and competition:** There may be consumer and competition law risks specifically arising from 'agentic' AI services as they continue to become more prominent, which will be a key focus for the ACCC in 2026 (e.g. AI agents colluding with each other to fix prices).

- **Privacy:** Privacy issues under the *Privacy Act 1988* (Cth) should also be considered to mitigate the risk that personal information collected, used or disclosed in an AI system (including personal information which may have been deidentified) contravenes the Australian Privacy Principles.
- **Online Safety:** Certain AI services such as AI companion chatbots may have compliance requirements under the *Online Safety Act 2021* (Cth) (e.g. mitigating the generation of illegal or age-restricted materials).
- **Industry-specific:** Other regulatory regimes may also be relevant to AI businesses in certain industries (for example, the *Therapeutic Goods Act 1989* (Cth)).
- **Responsible AI:** Investors should also consider assessing an AI startup against the Australian Government's *Guidance for AI Adoption*, which sets out 6 essential practices for responsible AI governance and adoption. This will assist in identifying potential ethical, reputational and governance risks in relation to the use of AI technology.

**AI businesses have specific risks that need to be identified as part of the due diligence process, particularly in relation to AI washing, IP and regulatory compliance issues. By working through these issues, investors can confidently unlock the transformative potential of AI startups.**



Frances Wheelahan
Partner, Corrs Chambers Westgarth

Jonathan Farrer
Partner, Corrs Chambers Westgarth

# Hiring decisions now define startup capital efficiency and growth

**I spend most weeks inside hiring conversations that do not show up in funding headlines. Not only do these conversations happen with startup and scale-up clients, they also surface in catch-ups with our PeopleStack cohort, at Aussie Founders Club events, and in discussions with ecosystem players such as government bodies and VCs about the state of the ecosystem.**

Taken together, these conversations point to a simple truth: for startups and scale-ups, hiring is not an HR decision. It is a capital deployment call.

Treating hiring as a capital decision means giving it the same rigour as any other major bet in the business. What I see too often is founders obsessing over product, spending months refining go-to-market, pressure-testing pricing, then relying on a job ad as a strategy and hoping the market fills the gaps. It doesn't. When recruitment, employer brand, and role design aren't taken seriously, the return on capital weakens. Execution suffers. This matters well before a raise.

What I'm seeing most clearly is a widening gap between businesses that treat hiring as part of their execution infrastructure and those that don't, where fuzzy missions, unclear employer stories, and loose expectations make attracting the right people much harder. Ads don't fix that. The gap between competitors increasingly comes down to how clearly a company can explain who they are, what they are building, and why someone should join them — and whether they do this early! What doesn't work is being vague about who you are, what you expect, and why someone should join, then being surprised when the people in your business become the bottleneck.

I'm seeing sustained demand for senior growth marketers, commercially sharp sales leaders, and experienced engineers who can set direction, not just execute tasks. As AI takes on more repetitive work, the premium shifts to people who can think, decide, and lead. That's pushing the cost of these roles up and forcing founders to make real trade-offs. Do you stretch for a senior A-player who brings clarity and speed, or move slower and build capability over time? Both paths can work. The mistake is pretending you don't have to choose.

Australian startups are no longer just competing locally. More candidates are weighing staying here against moving to the US as remote work blurs geography. These are not hypothetical conversations. That global pull is another reason these roles are getting more expensive, and why founders need to treat them as strategic capital bets, not just hires to fill.

During the boom years, capital softened poor decisions. Teams could carry unclear roles or underperforming hires while waiting for the next raise. That buffer has gone. The same issues now hit momentum, morale, and credibility much faster!

Hiring decisions are also harder to unwind. Smaller teams feel the impact of one wrong hire immediately. Reversing a decision takes time and confidence. Hiring mistakes don't just slow teams down. They change what a business can realistically attempt next.

Looking ahead, in 2026 the challenge isn't whether founders hire deliberately. It's whether they take the time to understand who they are as employers before they go to market. Some businesses will stay lean, using technology to scale with fewer people. Others will build depth and long-term capability by growing teams earlier. Both paths can work. What separates the businesses that break through is not the model they choose, but how clearly they define their mission and the role each hire plays in getting there. Hiring is now inseparable from funding strategy. To win, you can't just throw a net and hope the right people appear. You have to decide what you're building, who it's for, and why someone should want to be part of it.

Megan Luttrell
Director, Kaiss Recruitment

# Activity consolidates as fewer investors do more

**Australian venture fund managers faced a tough fundraising market in 2025, shaped by selectivity and uneven access to limited partner capital.**

While some large successful fundraises were announced, our investor survey found that a meaningful share of managers who set out to raise are still in market, and many landed below target. Many managers extended raise timelines and recalibrated fund size targets. Some shut down their processes altogether and have shifted from deployment to caretaker mode on existing portfolios.

This has translated into fewer active local funds in the market than in the past three years. The constraint is structural. Australia has a limited pool of domestic limited partner capital, and only a small group of local investors willing and able to back funds with scale capital.

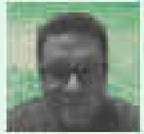
This pressure reflects the global trend within venture capital. With exits and distributions still muted, potential fund investors have tightened commitment sizes and concentrated capital into a smaller set of managers with the longest track records, leaving newer or smaller firms competing for a shrinking share.

"

After a prolonged reset, the Australian VC market is showing signs of stabilisation. Within the Innovation Bay Venture Capital community, this is reflected in stronger founders, more disciplined pricing, and investors backing conviction rather than momentum. Looking to 2026, the outlook is definitely optimistic but not yet exuberant.

Highly regarded US institutional investors are engaging with Australian managers, improving fundraising prospects for a narrow group of large Australian VC firms. There is steady and growing interest from Southeast Asian funds in Australian deals, highlighting the attractiveness of Australian Series A opportunities on pricing and governance.

The number of investors recorded across deals fell in 2025 compared to 2024, indicating slightly less breadth year on year. Participation remains above 2023 levels, supporting the view that the market stabilised after the pullback. This points to a consolidating environment. Activity remains below the 2021 to 2022 peak, and investor breadth has not resumed expanding.



Ryan Burns
Head of Venture Capital, Innovation Bay

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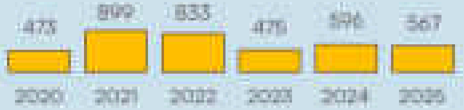
At the grassroots, the number of student founders raising their first institutional round has doubled from what we saw last year. This surge is driven by how well placed young founders are to build AI startups. This new age demands rapid learning as playbooks get thrown, building and pivoting quickly, staying close to emerging technology, and accessing highly technical talent — all traits young founders naturally have in spades.

Investors are waking up to this. Not only have we seen a general increase in appetite to back young founders, but the early market is also speeding up, with heightened competition appearing earlier and earlier — at the PreSeed or even angel stage.

Mitchell Hughes
Founding Partner, NextGen Ventures

**Number of investors recorded across all deals**




**24**

**investors announced more than 5 investments in 2024**

(down from 29 in 2024)

**5**

**of 30 most active investors in 2024 announced no investments in 2025**

(up from 4 in 2024)

**80%**

**of 30 most active investors in 2024 announced fewer investments in 2025**

(up from 71% in 2024)

# Executive teams' investors bet on

### Why leadership choices shape investor confidence

Investors increasingly treat leadership quality as a core predictor of return. Recent Australian venture data shows that more than 70% of failed or stalled Series A-C companies cite people or leadership issues as a primary factor. For investors, the team has become as important as the product. Early Executive hires particularly in Product, Engineering, GTM and CFO/COO provide a tangible signal of whether a company can scale beyond the founding team's instincts.

A deliberate people strategy reassures investors that the founder understands organisational readiness. Clear role scopes, structured hiring processes and a plan for when and why roles will be added reduce perceived execution risk. When leadership capability is strong, valuations tend to be stronger. Local VC's consistently comment that team quality is one of the top drivers of pricing tension.

### Where hiring impacts the raise itself

Leadership hiring influences fundraising outcomes in ways founders sometimes underestimate. Executives with proven scale-up experience bring narrative maturity. They refine assumptions, validate commercial pathways and introduce rigour to modelling. This leads to tighter pitches and shorter investor cycles. Operational signals also improve, churn stabilises, delivery becomes more predictable and financial discipline increases.

The data aligns with this. Australian startups with two or more experienced scale-up Executives in place pre-raise are almost twice as likely to close their next round within 6-12 months compared to those without senior operational depth.

### The tenure challenge at Series B+

A growing structural issue is emerging across Australia's Series B+ ecosystem: leadership tenure fatigue. Many companies that raised in 2020-2022 hired Executives on growth/optimistic equity packages that now sit underwater. At the same time, headcount growth and revenue trajectories have been slower than forecast. Executives who expected to manage 60-80 people are still leading teams of 15-20.

This creates several risks. Engagement declines quietly, decision-making slows and accountability diffuses. Boards often sense the symptoms; missed milestones, reactive prioritization, rising cultural friction without immediately recognizing the root cause. Investors entering new round's view this as a clear execution risk, particularly when Executives have been in seat for three or four years without demonstrable scale achievements.

### Insights from executive search: risks and opportunities

From an executive search perspective, this moment presents both challenge and opportunity. One risk is organisational drift; when leadership capability no longer matches the company's stage, the organisation becomes misaligned. Another is retention drag. Executives who feel their equity upside has diminished often hesitate to drive bold decisions, which limits momentum right when the company needs conviction.

Yet the opportunity is substantial. Many mid-stage Australian startups are now embracing "leadership renewal". Upgrading or supplementing their Executive bench to match the next phase of growth. The market has matured, and there is a deeper pool of operators with genuine scale-up experience across Product, Revenue, Finance and Operations. Bringing in leaders who have navigated expansion, restructuring or international entry can reset expectations and re-energize teams.

Effective search processes also create competitive advantage. Companies that articulate a clear mandate, provide aligned incentives and operate a disciplined assessment process consistently attract stronger candidates. Search partners report that Executives are more willing to join when founders can show organisational clarity and evidence of Board alignment around priorities.

### A virtuous cycle for growth

Strong leadership helps close capital; well-timed leadership renewal ensures that capital is converted into traction. Startups that treat people strategy as a strategic function not a reactive fix often outperform their peers on both speed and quality of scaling.

For founders, the message is clear: leadership choices will shape fundraising outcomes, but leadership evolution will determine whether post-raise scaling happens.

Gavin Houchell
Director, [illegible]

# Clear investor shift from crisis response to guarded control

**Investor guidance to portfolio companies shifted meaningfully in 2025, reflecting a market that is less distressed but still far from a growth-only posture. The emphasis moved from emergency measures to sustained discipline, as investors balanced improving conditions with lingering unease.**

Reported operating outcomes improved on several fronts compared to 2024. Fewer investors reported portfolio company failures, the prevalence of layoffs fell sharply, and participation in down rounds eased, signaling that the most acute stress of the past few years is over. These shifts point to an operationally stabilised market, even if performance remains uneven across portfolios.

Advice to founders also evolved. Cutting burn and extending runway remain the most common guidance, but their prevalence has fallen year over year since 2023, and fewer investors now push founders to raise equity solely to build cash buffers. This suggests investors are no longer managing solely for survival, but remain cautious, prioritising durability and control in a still selective funding environment.

> Medium-term sentiment in the Australian startup funding market continues to change day-by-day and datapoint-by-datapoint. On one day you are genuinely excited about large funding rounds, resilient valuations, and the prospect of IPO markets re-opening (especially for the Australian tech sector) — and on another day you focus on sticky inflation, global turmoil, and the prospect of the AI bubble bursting.
>
> Whilst this volatility should be good for venture investing (that is, the chance of backing a business that fails increases, but so too does your potential upside in the 'winners' that you back) — we have found that there has been a material shift in our assessment criteria for new opportunities. Our weightings toward the ability for a business to build a strong moat and resist churn, as well as potential margins at scale and with competition, have increased relative to our weightings for pure top-line revenue growth.

**James Johnstone**
Partner, Bailador

## Investor insights

### Advice to founders in 2025

**35%** recommended reducing cash burn to extend runway (down from 53% in 2024)

**24%** recommended increasing cash on hand by raising equity (down from 28% in 2024)

### Operating and funding outcomes remain mixed

**44%** saw a portfolio company fail (down from 55% in 2024)

**77%** saw a portfolio company conduct layoffs (down from 93% in 2024)

**59%** of investors participated in a down round (down from 68% in 2024)

# Value beyond capital matters, but founder confidence in investors slips

**Founder views of investor value-add declined in 2025 compared with 2024, even though what founders value most remained largely unchanged.**

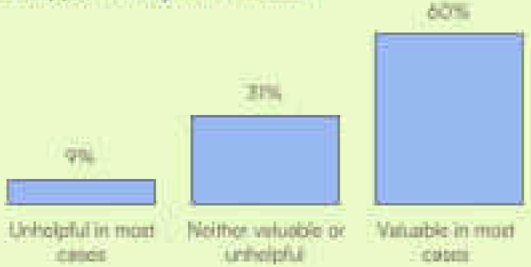
Sentiment towards investor engagement softened. A greater share of founders indicated regret over their selection of their most recent lead investor, and fewer reported receiving value beyond the capital invested. Most still see investor support as valuable in many cases, but overall sentiment fell compared with 2024.

Preferences around preferred types of investor support remained consistent from 2024, with introductions to potential customers and other investors ranking highest, followed by support for international expansion and founder coaching. Areas of support that scored poorly in 2024, including events, platform services and access to communities, continued to attract limited demand from founders surveyed.

Overall, the data shows stable expectations but weaker delivery. It highlights a widening gap between the support founders say they want and their aggregate assessment of investor contribution, without explaining what drove the shift.

## Founder insights

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




**65%**

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

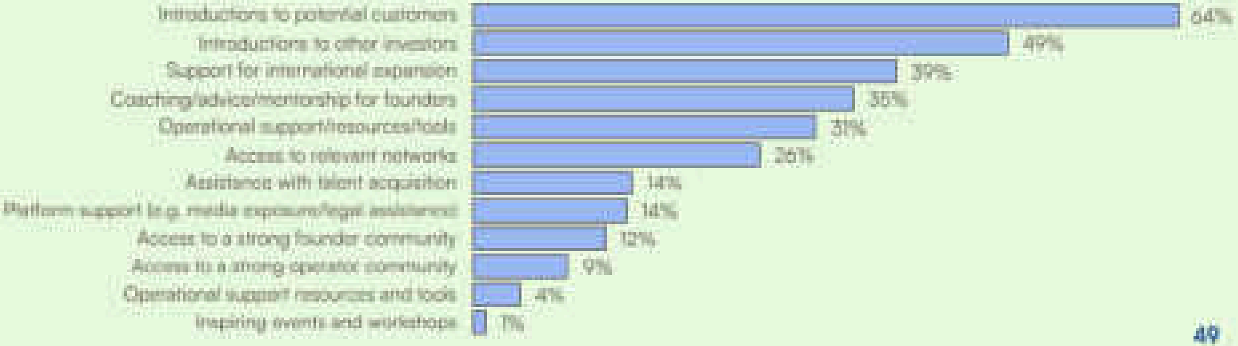
(down from 78% in 2024)

**55%**

of founders believe their investors provided value beyond the capital invested in 2025

(down from 66% in 2024)

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



# Trust as a currency: Elevating brand reputation in the eyes of investors

**In a capital environment defined by information overload and heightened risk awareness, trust has become one of the most valuable assets on a startup's balance sheet. Global branding research shows that 80% of consumers need to trust a brand before they will even consider buying from it, and nearly half are willing to pay more for brands they trust. For investors, those same dynamics translate into pricing power, resilience and a higher likelihood that a company can weather shocks, which is why brand reputation increasingly shapes funding decisions as much as financial forecasts.**

### Why storytelling de-risks founders

In 2025, Australian startups raised around A$5.4 billion across 390 deals, but capital remained highly selective, with investors extending due diligence and demanding clearer traction and narratives before writing cheques. Storytelling is emerging as one of the most effective ways to build trust at scale in this environment. Interest in "storytelling marketing" grew by roughly 46% in recent years, as brands and founders search for deeper ways to cut through the noise. Data indicates that effective storytelling can lift conversion rates by up to 30% and dramatically boost perceived product value when a compelling narrative is attached.

### Brand consistency as a risk signal

Branding statistics underline how closely trust, consistency and financial performance are linked. Studies show that consistent branding can increase revenue by up to 23%, as unified messaging and visual identity reinforce credibility and professionalism at every touchpoint. At the same time, about 76% of consumers report buying a product based on someone else's recommendation, highlighting how reputation and word of mouth amplify or erode brand trust far beyond any single campaign.

Investors read these patterns as risk signals. A startup that invests thoughtfully in its brand from positioning and messaging to founder visibility, looks more likely to manage stakeholders well, attract talent and secure strategic partnerships. In a world where capital providers can choose from thousands of opportunities, a fuzzy brand and weak story are no longer harmless – they are active red flags that can stop a deal before the data room is even opened.

### Lessons from emerging tech founder storytellers

Conversations with women founders working at the frontier of science and technology illustrate how trust is built in practice. On the Emerging Tech Unpacked podcast, leaders in Climate tech (green hydrogen), Healthtech (antimicrobial resistance) and Agtech (insect farming) talk openly about translating lab work into market-ready solutions and about the personal journeys behind their ventures. Rather than hiding behind dense technical language, they frame their work in terms of real-world problems such as decarbonising industry, preventing treatment-resistant infections, creating sustainable food systems, and measurable outcomes that investors can track over time.

These human-centred stories show three recurring patterns. First, deep tech and science are made easy to understand without diluting the message, helping investors connect complex innovations to familiar market dynamics. Second, founders are willing to share setbacks and pivots, signalling resilience and integrity under pressure. Third, they show up consistently across public forums, building a traceable narrative arc that investors, partners and policymakers can follow as the company evolves.

For founders and investors alike, the implication is clear: trust is not an abstract virtue but a strategic asset that can be designed, measured and grown. Building a coherent brand, investing in human-centred storytelling and showing up with consistency turns reputation into a genuine form of currency, and one that can unlock capital, attract allies and sustain momentum long after the first term sheet is signed.

**Lucy Lin**
Managing Director, Forestlyn and
Podcast Host, Emerging Tech Unpacked

# Survey insights: Investor value proposition to founders

**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?

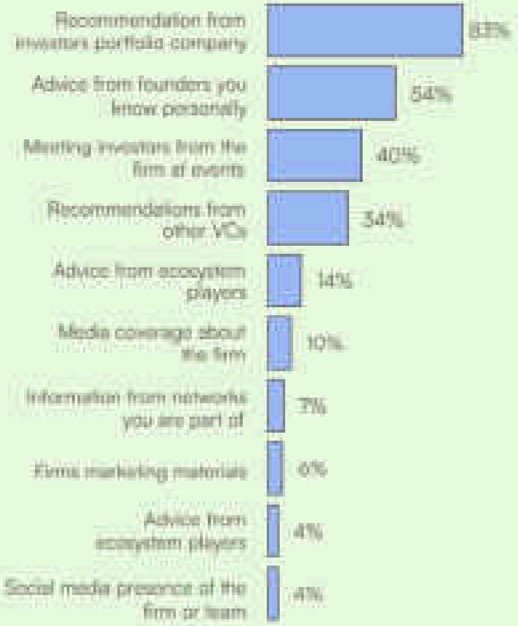

**65%** founders don't believe there are many funding options available to Australian startups

(down from 70% in 2024)

**30%** founders don't feel supported by the wider Australian entrepreneurial community and startup ecosystem

(down from 49% in 2024)

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



# Capital isn't the constraint. Founder capacity is.

**Conversations about the Australian startup ecosystem often centre on funding cycles. How much capital is being deployed, how cautious investors have become, and how long it is taking founders to raise. These are important signals. But they are only part of the equation.**

Capital is a necessary input into a thriving startup ecosystem. It is not the outcome.

Over the past decade, I have spent time on both sides of the table, as a founder and as an investor. More recently, I have spent the past year working closely with founders through The Komo Club, sitting alongside them as they navigate fundraising, growth, leadership and personal strain. That proximity has led me to a simple but unexpected conclusion.

Capital is not the primary constraint on ecosystem health anymore. Founder capacity is.

By founder capacity, I mean the combination of clarity, energy, decision making ability, and emotional resilience required to raise capital effectively, make high-quality decisions once funding lands and stay engaged long enough for success to compound.

We often say that the single most important factor in a company's success is the founding team. Yet once capital is deployed, we routinely leave those founders to perform under extreme pressure with remarkably little support. We invest heavily in financial capital, but far less intentionally in the human systems required to deploy it well.

This shows up before a round is even closed. Founders operating with clarity and conviction tell better stories. They are decisive about what they are building, who it is for, and why now is the right moment. Investors respond to this. Not just because it is compelling, but because it signals how a founder is likely to operate when things do not go to plan.

Founders who are depleted often enter fundraising reactively. Their narratives become less coherent. Pitches tilt toward defensiveness rather than ambition. Even strong businesses can struggle to raise when the human at the centre is operating at reduced capacity.

The bigger impact, however, comes after the round closes. A phase the ecosystem spends far less time examining.

I have seen founders raise meaningful capital only to struggle with what comes next. Decision fatigue sets in. Hiring happens too quickly or too cautiously. Burn increases without a clear sense of priority. Capital may extend the runway, but it does not automatically improve decision quality. In many cases, it amplifies existing weaknesses.

By contrast, founders with higher capacity tend to make fewer but better decisions. They are clearer about where to focus, when to say no and how to pace themselves through volatility. Capital works harder for them because they are able to sustain performance, cognitively and emotionally, over longer time horizons.

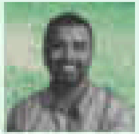
Founder capacity also shapes what happens at liquidity. Exits are often treated as endpoints, but in practice they are inflection points for founders and for the ecosystem. In my experience, the way founders arrive at liquidity events matters. Those who exit exhausted often step back from the ecosystem for a period of time, while those who exit with energy and clarity are more likely to remain engaged as investors, mentors, or repeat founders.

Funding is the most visible part of the startup ecosystem. It's what we measure, rank and report on.

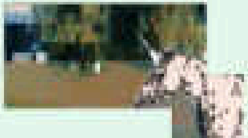
Founder capacity is far less visible, but it is what determines whether capital compounds or leaks.

Better supported founders make better decisions. Better decisions build better companies. Better companies generate better returns. Those returns bring more investors, more reinvestment, and more experienced founders back into the ecosystem.

Funding starts the story. Founder capacity determines how it ends.



Rohit Bhargava
Founder, The Komo Club



# Investor survey insights: 2025 deal activity

Investor survey responses suggest deal activity improved in 2025 compared with 2024, supported by stronger market conditions and higher-quality deal flow. Competition lifted most at the early stages, while later-stage activity stayed steadier, and internal and bridge rounds remained common. Overall, the data points to a more buoyant market, without returning to the intensity or breadth of 2021's peak.

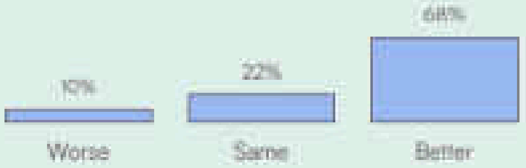

made more investments than expected in 2025


made less investments than expected in 2025




made investments via a secondary purchase in 2025

### Compared to 2024, describe the current state of the startup funding market




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


### What percentage of your investments were internal or bridging rounds?

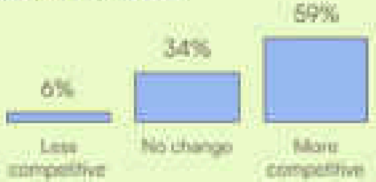

**Greater than zero**

(down from 82% in 2024)


**More than 40%**

(up from 13% in 2024)

### How was deal competitiveness at the Pre-Seed and Seed stages compared to 2024?



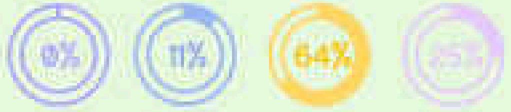

### How was deal competitiveness at the Series A + B stages compared to 2024?


### How was deal competitiveness at the Series C or Later stages compared to 2024?

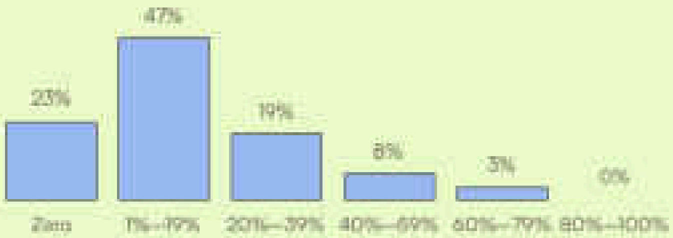
# Investor survey insights: 2025 portfolio health

**Portfolio health signals improved at the margin in 2025 compared with 2024, with sentiment shifting from indifference to strength. Acute stress indicators also eased, as investors reported less severe workforce actions and fewer repricing events than the year before. At the same time, the market still required active triage, with bridging support remaining common and closures continuing for a meaningful minority of portfolios.**

### 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?





reported a higher failure rate of portfolio companies than in 2024

(down from 16% last year)



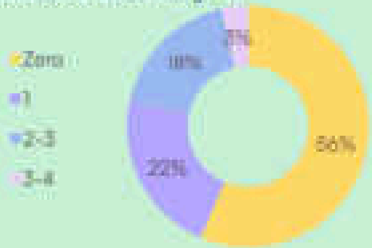
**66%**
invested in a portfolio companies bridging round

(down from 82% in 2024)

**59%**
participated in a down round

(down from 64% in 2024)

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




Sentiment as 2025 finishes is fundamentally positive. We have turned a corner from the volatility of recent years, and while the future is never clear, I think we have passed the worst. That said, startups must bring a clear investment thesis, because venture funds are under pressure to show a track record and deliver exits.

Deal volume is lower than three or four years ago, but quality is better. Teams understand the bar is higher, capital exists, and diligence is deeper. Investors are probing harder on what problem is being solved and how. There is still real optimism to back Pre-Seed and Seed when the case is strong.

Valuations are clearly down from 2021, but they have stabilised. That reset has reduced time wasted on excessive pricing. Obviously AI is hot – but application is everything with Robotics and Quantum being our focus. Good solutions and good businesses can still command good valuations, and that is the discipline the market needed.

**Simon Wright**
Managing Partner, InnoValley Ventures

# Investor survey insights: Looking to 2026

**Investor expectations for 2026 lean positive, with sentiment moving from stabilisation to modest expansion rather than a sharp rebound. More investors expect to maintain or increase deal activity, while views on pricing and terms suggest continuity rather than another reset. The outlook reflects growing confidence in market conditions, alongside an expectation that discipline and selectivity will remain defining features through the year.**

### In 2026, do you expect to see startup investment activities in Australia?


### In 2026, what do you expect your firm's deal activity to be?


### In 2026, how do you think investment terms will trend?


### Most exciting sectors in 2026 (frequency in top 3)

| | |
|---|---|
| Artificial Intelligence | 71% |
| Hardware/Robotics/IoT | 35% |
| Deep Tech | 33% |
| Enterprise/B2B Software | 31% |
| Space/Aviation/Defence | 22% |

**43%** expect ecosystem investment activities to increase in 2026 (down from 74% in 2025)

**51%** expect their startup investment activities to increase in 2026 (flat on 2025)

**79%** expect deal terms to stay steady or become more founder friendly in 2026 (up from 78% in 2025)

> The year 2025 in VC land was u-shaped for us at Five V: up at the start, a bit saggy through the middle, then up again at the end. In Q4, we had not seen that much activity in the market since the tail end of the 2021/22 VC investment boom. This augurs very well for 2026.
>
> The drivers for this are many and varied: most notably, the AI gold rush, but this has also trickled down to other lesser or non-AI parts of the market. Confidence is a tricky thing, but confidence does appear to be returning to the market. It also helps that the market has largely digested most of the mispricing from the 2021/22 boom.
>
> I predict that in 2026 we will see many more B2B SaaS companies reinvest themselves with AI (as they should): this comes with risks (new messaging, new pricing/revenue models, tech/tool adoption, etc.), but the size of the
> prize warrants it.

**Ed Bigazzi**
Managing Director, Five V Capital

# Founder survey insights: Looking to 2026

**Founder sentiment entering 2026 reflects measured confidence rather than renewed exuberance. Intent to raise remains high, alongside a pragmatic focus on efficiency, sustainability, and navigating a still-selective funding environment.**

Founders report a strong intention to raise capital and a generally positive outlook on their ability to do so. This aligns with the broader sense that conditions stabilised after the 2023 to 2024 reset. At the same time, confidence is uneven, with a meaningful share pointing to constraints in the depth and accessibility of funding options. This balance suggests determination rather than ease, with founders preparing carefully for their next round.

These results also likely reflect the survey composition. Founders who remain active, funded or optimistic are more likely to participate, while those who exited the market or paused fundraising are underrepresented. As a result, the data likely skews towards resilience and intent, even as structural challenges in access to capital persist beneath the surface.

"

It is hard not to be bullish, with the rise of AI and the quality of companies and founders emerging out of Australia. A massive technological shift is happening right under our feet, and the combination of that shift with a growing pool of high-quality and ambitious founders attacking big problems sets the tone for 2026.

**Dan Krasnostein**
Partner, Square Peg

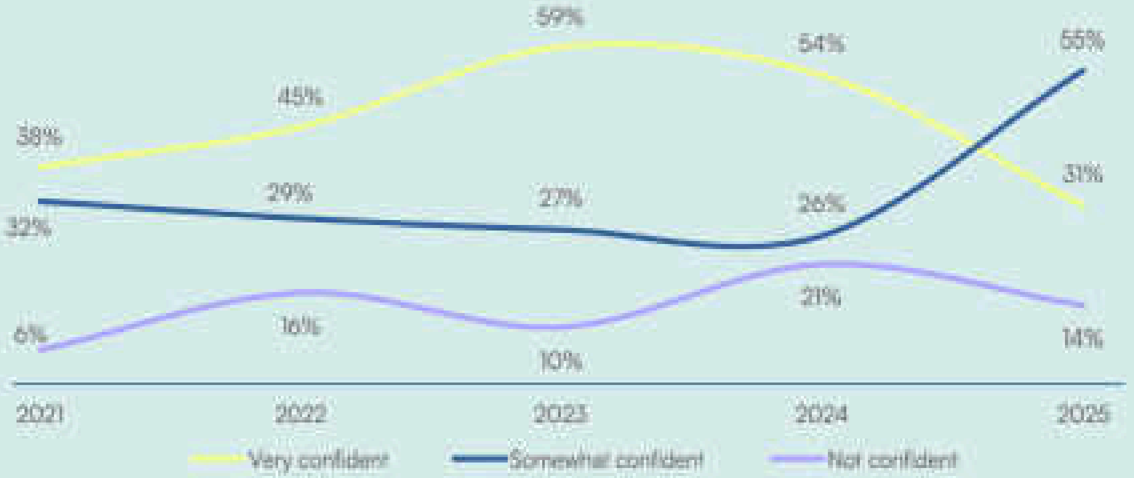
**86%**
are confident they'll raise their next funding round
(up from 80% in 2025)

**76%**
said they plan to raise capital in 2026
(up from 74% in 2025)

**4%**
said they plan to never raise capital again
(down from 11% in 2025)

**76%**
believe there aren't many funding options for Australian startups
(up from 69% in 2025)

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



# Diversity

**We worked closely with founders across the Australian ecosystem to gather survey responses for the 2025 report. Founders were invited to complete an anonymous survey and share information about their background, including age, gender, ethnicity, and heritage.**

While we recognise that diversity is multi-dimensional and shapes fundraising experiences in many ways, the report team does not yet have the capability to consistently collect or analyse demographic data beyond gender. As a result, this report does not include an analysis of funding outcomes across other demographic groups.

As in prior years, this data should be read as a snapshot rather than a complete representation of all founder experiences. Survey participation is inherently shaped by who remains active and engaged in the ecosystem. Even so, we believe the insights captured provide a valuable perspective on current conditions.

We remain committed to improving the breadth and inclusiveness of our data over time, and we are grateful to the founders, investors, accelerators, and community leaders who supported data collection in 2025.

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

| | |
|---|---|
| Ensuring diversity within investment team | 57% |
| Maintaining diversity in partnerships | 58% |
| Initiatives to diversify sourcing channels | 47% |
| Source deals from underrepresented entrepreneur networks | 43% |
| Mentorship for underrepresented founders | 28% |
| Recording and analysing diversity metrics | 24% |
| Partnerships with diversity-focused accelerators | 24% |
| Collaboration with groups to promote diversity | 24% |
| No specific diversity and inclusion initiatives | 21% |
| Ensure diversity in portfolio management and boards | 11% |
| Funds for underrepresented-led businesses | 7% |
| Diversity training for team and portfolio | 7% |

“

Diversity in VC is about more than reducing the gender investment gap: it's about seizing a gender innovation gap too. Across sectors, we see an enormous opportunity to back innovation serving vast, unaddressed female markets – markets that women founders are often best positioned to solve for.

At Scale Investors, we believe that the way to address these gaps is through a dual strategy of measurement and dedicated capital. We are currently witnessing the complementary power of a Common Data Standard through Equity Clear's next phase— establishing a roadmap for inclusive investing – and the launch of our inaugural fund, Scale Venture Fund I, purpose-built to take advantage of the huge outperformance opportunity.

Together, these mechanisms will do more than just shift sentiment; they will supercharge the pipeline for the entire ecosystem and ensure we aren't just watching the $3.2 trillion wealth transfer, but actively shaping it.

Samar Mcheileh
Managing Partner, Scale Investors

# Underrepresented founders face a tougher funding bar

**This year has been especially tough for underrepresented founders trying to raise capital, and in many ways it's felt harder than usual.**

A few things are driving this. Investor expectations have crept up, with fewer Pre-Seed investors and many early-stage investors now looking for at least $30k in revenue before they're willing to engage or carry forward conversations.

At the same time, building products has become easier thanks to AI, which has raised the bar for what "fundable" looks like. While this provides opportunities that previously didn't exist, it also widens the access gap for founders who don't already have strong networks or insider knowledge.

On top of that, enterprise go-to-market has become more difficult, while non-enterprise routes have opened up. Investors are also narrowing the areas they want to back, which means many great founders are operating outside the categories currently in favour. Taken together, these shifts have made an already uneven funding landscape even harder to navigate.

There are, however, a few practical strategies that have been making a real difference.

One of the most important is education around different funding pathways. Many founders still assume venture capital is the only option, when in reality there are several routes that can make sense depending on stage and goals. Helping founders understand alternatives like angel investment, grants, revenue-based finance, crowd funding or strategic partnerships gives them more confidence and more control over how they grow.

Another big lever is demystifying what it means to think like an investor. When founders understand how investors assess risk, opportunity and scale, it changes how they approach fundraising. Flipping the script in this way helps founders see what an investible business looks like, what signals matter at different stages, and why certain questions keep coming up.

Closely linked to this is helping founders frame pitches around growth, vision and long-term opportunity, rather than only talking about what's working right now. Many underrepresented founders are building solid businesses but undersell their ambition, often without realising it.

Ecosystem partnerships are also proving to be incredibly powerful. When investors actively partner with organisations that support diverse founders, everyone benefits. Pipeline and deal flow are some of the biggest challenges investors talk about, and these partnerships open up access to high-quality opportunities without firms having to build or attract that pipeline themselves. For founders, it means warmer introductions, more trust and a clearer path into rooms that are often hard to access.

That said, there's still plenty of room for improvement.

There's a very real need for reflection on the investor side, particularly around the role of pattern-matching and unconscious bias, and how these show up in decision-making. That reflection needs to translate into more intentional, inclusive ways of assessing potential. At the same time, founders need better, more actionable feedback when they're turned down, so they can learn, adapt and move forward rather than being left guessing about what didn't fit the mandate.

Secondly, ecosystem partnerships should move beyond one-off introductions and towards deeper collaboration, with shared responsibility for outcomes. Finally, more support is needed after the introduction stage, particularly around due diligence, term sheets and early governance, where many underrepresented founders feel least supported.

The real opportunity to affect immediate change is to build solutions together, through shared commitment and collective ideation across the ecosystem, rather than trying to fix these challenges in isolation government + investors + ecosystem drivers (such as startup hubs and community organisations).

Preethi Mohan
CEO and Founder, NeoTo

# Insights on diversity in startup funding and founder support

**Among survey respondents, experiences of Australian founders continued to vary by gender and ethnicity, with some dynamics shifting year on year.**

Male respondents reported feeling more supported by the ecosystem than female respondents across both ethnic groups. Non-white men also reported higher perceived support than white men. Female respondents reported materially lower perceived support overall, with white women reporting the lowest levels.

Confidence in the ability to raise the next funding round was high across respondent groups, with men and women reporting similar levels regardless of ethnicity. That confidence sat alongside perceptions of structural barriers. Female respondents, particularly non-white women, were far more likely to say gender had affected their ability to raise external capital, while male respondents were less likely to cite gender as a factor. Views on the impact of ethnicity were more mixed, and white founders were more likely than non-white founders to say ethnicity had affected their fundraising outcomes.

Perceptions of funding availability diverged sharply by gender within the respondent set. Male respondents were more likely to agree that many funding options were available to Australian startups, while female respondents were significantly less likely to agree, regardless of ethnicity. The reported stage distribution also differed across groups, with male respondents more represented in later-stage rounds and female respondents skewing towards earlier stages. Taken together, responses suggested confidence remained strong, but perceived access, support, and progression through the funding system were uneven.



**I feel supported by the wider Australian entrepreneurial and startup ecosystem**

| | Non-white | White |
|---|---|---|
| Men | 70% | 55% |
| Women | 35% | 22% |

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

| | Non-white | White |
|---|---|---|
| Men | 75% | 85% |
| Women | 77% | 80% |

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

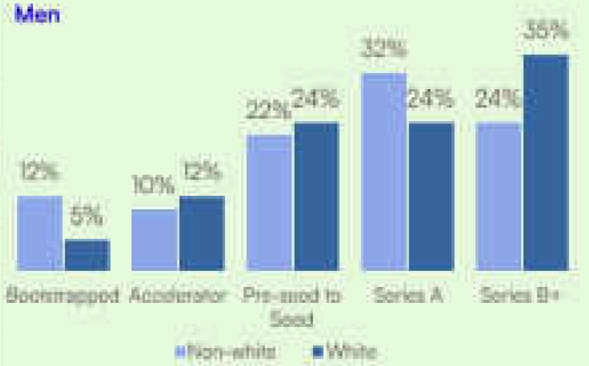
| | Non-white | White |
|---|---|---|
| Men | 10% | 30% |
| Women | 11% | 21% |

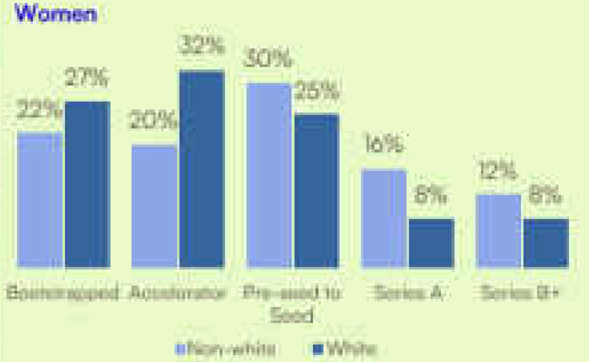
**I believe my gender has affected their ability to raise external capital**

| | Non-white | White |
|---|---|---|
| Men | 30% | 22% |
| Women | 66% | 36% |

**I feel there are many funding options available to Australian startups**

| | Non-white | White |
|---|---|---|
| Men | 55% | 65% |
| Women | 22% | 15% |



# Design anchored in lived experience and intersectionality is venture's next competitive edge

**When founders solve problems they live with daily, they move faster, design more precisely, and build solutions that work in the real world. Yet the founders closest to some of the hardest problems remain the least likely to be backed.**

Australia's startup funding landscape tells a stark story. In 2025, deal participation and funding to female founders reached 24%, yet for all-women teams, deal participation fell to 8% while funding share fell to 2%. These numbers reveal a persistent gap: more women are getting into funding rounds, but they're receiving far less capital. This isn't oversight. It's systemic.

As a neurodivergent women and Culturally and Linguistically Diverse (CALD) founder who raised capital for Understanding Zoe, I've navigated these systems firsthand. Though beyond my personal story, this reality affects an entire community of exceptional founders who remain systematically underfunded.

For neurodivergent and disabled founders, the barriers compound. UK research found disabled founders could be up to 400% less likely to secure investment than their peers (Access2Funding, 2023). When disability intersects with gender, CALD or Culturally and Racially Marginalised (CARM) backgrounds, LGBTQIA+ identity, or other marginalised identities, each constraint multiplies friction in systems that privilege familiar communication styles and standard life patterns.

The ecosystem often points to high-profile examples as proof of inclusion. ADHD gets reframed as a "founder trait". Autism or dyslexia for example earn acknowledgement only when attached to exceptional outcomes. What gets flattened is that many founders sit at multiple intersections. These barriers don't operate one at a time.

## The proximity advantage

Founders solving problems they experience don't need years to validate demand. They already understand the constraints, edge cases, and trade-offs. This proximity compresses time, reduces discovery costs, and produces more resilient, inclusive design. Foundational innovations, from accessibility technologies (automatic doors, audiobooks, closed captioning, Kerb ramps, etc.) to mainstream consumer products (bendy straws, electric toothbrushes, e-book readers, etc.) were first built to meet the needs of disabled users before benefiting everyone.

When the ecosystem fails to back these founders, the cost is missed opportunities.

## The retreat to familiarity

As capital tightens and investors become more risk-averse, the system retreats into what it already knows. Familiarity gets mistaken for safety. Difference gets misread as risk. Pitch processes privilege certain communication styles. Networks reward proximity. Due diligence assumes standard life paths. These systems appear neutral on paper. In practice, they filter out capable people long before performance can be measured.

There's a persistent assumption that one blueprint defines a successful founder. This overlooks one of the most powerful advantages in innovation: multiple constraints generate speed, clarity, and originality. They force systems to operate under real-world conditions, not ideal ones.

## Strategic, not moral

The competitive edge isn't diversity as a slogan. It's intersectionality as a design lens. Lived experience, especially when shaped by multiple constraints, produces the precision that drives venture returns.

If nothing changes, the outcome is predictable. The ecosystem will keep building for the same audiences, using the same approaches, and wondering why success feels incremental. It will keep mistaking sameness for safety and exclusion for prudence.

The opportunity ahead requires investors and ecosystem leaders to interrogate their recognition of what looks familiar and expand how founder potential is assessed. Beyond a moral exercise. It's a strategic bet.

Because when barriers multiply, opportunity shrinks. And when lived experience is overlooked, innovation does too.

Laetitia Andrac
Founder, Understanding Zoe

State of Australian Venture Capital

# Sector deep dives

As the Australian startup ecosystem matures, sector reporting has become harder to do well. In 2022, Cut Through Venture partnered with several Australian venture capital firms to create a sector taxonomy to help address this challenge. Startups still 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 deep dives, we have built on the approach introduced last year and leveraged improvements in AI-powered tooling to refine our sector classifications. By using large language models, we can process and analyse large volumes of data at scale. We did not manually review every classification due to the number of companies involved. To increase reliability, we ran two models in parallel to cross check outputs: OpenAI's GPT-5.2 Mini and Gemini 2.5 Pro.

# AI everywhere, but durable differentiation still wins

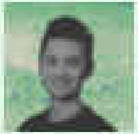
I see AI less as a standalone category and more as a pervasive tool that now shows up in the majority of software deals. The action is in its application, with health being a prime example where systems can absorb and analyse vast datasets quickly, sometimes with sharper insight than legacy tools. The more powerful story, though, is in the second-order effects: AI removing productivity bottlenecks, accelerating breakthroughs in materials and energy, streamlining regulatory processes, and lifting entire sectors that aren't 'selling AI' but are transformed by it.

Investors are also homing in on the infrastructure that powers AI, from high powered computing and signal processing to the hardware picks and shovels. Australia's research depth, built across universities and industry, is being commercialised for the surge in demand for compute and data centre capacity. This is visible in areas like chip manufacturing, quantum, and fibre optic data manipulation. With government backed agencies, international funds and local investors leaning in, I expect enthusiasm in these areas to carry through 2026 as customers now expect intelligence in every tool they touch.

**Charlie Ill**
Chief Executive Officer, Investible

We're still early in the AI cycle, much like SaaS in the mid-late 2000s. There's clear momentum, but we haven't yet reached broad conviction, and many AI-native companies outside consumer and model labs haven't had their economics recognised or re-rated. That's because the market is still learning where AI value will ultimately accrue. As that becomes clearer, confidence will lift, competition will intensify, and the sector will move toward economic efficiency.

We invest without a sector bias. We focus on the problem and the underlying thesis. The most compelling AI companies are not just automating workflows and adding marginal productivity. They are tackling problems that were previously impossible to solve, or solving them at a standard that was never achievable before. These opportunities cut across industries, but the bar is consistent. The problem must be urgent, unavoidable and mission critical. That is where AI shifts from narrative to necessity, and where real enterprise value compounds.



**Eric Chan**
Partner, Aura Ventures

I see AI less as a vertical and more as a capability that is showing up across almost every category. Over the last year, around 60% of the early stage investments Blackbird made were 'core' AI, which speaks to both the breadth of the opportunity, but even so, there are still many compelling companies that sit outside core AI. What excites us the most with AI is the prospect of not just 10x improvement, but many orders of magnitude improvement for customers.

In sectors that have historically been hard to sell into, buyers are actively making multi year purchasing decisions now, and demand is off the charts. This combination of true product innovation and accelerated distribution is driving growth we have not seen before. On average, our AI companies are growing at roughly 2x the pace of our best SaaS and mobile era companies.

**Samantha Wong**
Partner, Blackbird Ventures

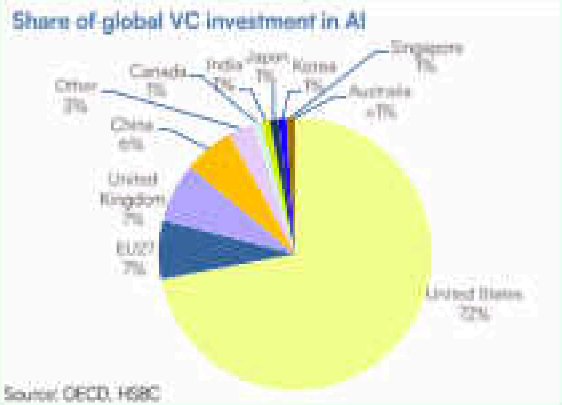
# Australia's AI and tech sector opportunities

**Weak productivity remains one of Australia's key economic challenges. The lack of supply-side reform — particularly in competition policy, tax and deregulation — is part of the reason we lowered our potential growth estimates for the Australian economy to an historically sluggish 1.75-2.00% back in May 2025.**

Greater adoption of information technology is often raised as a possible solution to improving weak productivity. In theory, at a high level, there are essentially two ways to go about improving aggregate productivity through tech. First is for firms in an economy to push progress at the technological frontier. Second is for firms across industries, particularly in 'laggard' industries, to improve tech adoption.

For firms to push the tech frontier, particularly for AI, it is likely to require funding for investment. Most of the global investment is currently being directed towards the US (Chart 1). For instance, of the US$146 billion in venture capital investments in AI in 2024, nearly three-quarters went to the US, with Australia accounting for only 0.5% (cUS$732 million). As Stanford University's latest (April 2025) AI Index Report noted, the US has widened its lead in global private AI investment.

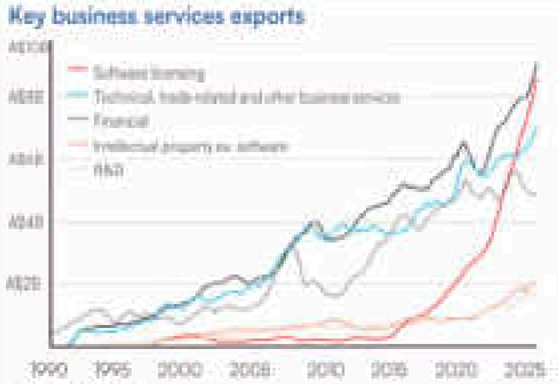
**Chart 1: Most of the global focus on AI is centred on the US...**




Source: OECD, HSBC

However, Australia does have some tech companies that are leading the way. For instance, the value of software licence exports have risen 20-fold over the past decade (Chart 2). Software-as-a-Service (SaaS) companies, such as Australia's Atlassian, Canva, and Xero (New Zealand), are examples where local firms have tapped into global demand across large-scale enterprise applications for mobile and web development solutions, amongst others.

**Chart 2: ... though Australia has a few key tech companies exporting software services**




Source: ABS, HSBC

That said, for the broader Australian economy, improving tech adoption across industries is likely to be more important for lifting aggregate productivity. If Australian firms are able to adopt cutting-edge technologies and processes and better apply tech from the global frontier to local activity, then this may improve Australia's productivity outlook.

*(continue next page)*

# Australia's AI and tech sector opportunities (continued)

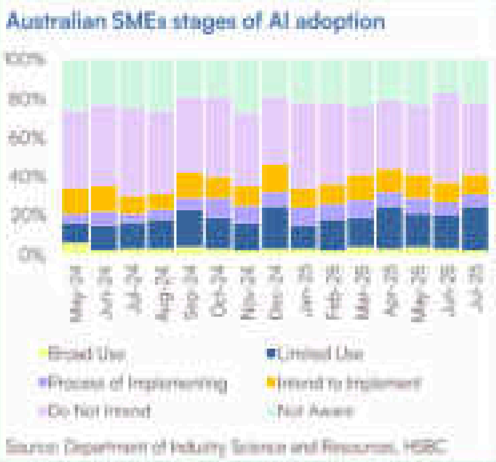
## AI adoption is increasing, but is still relatively concentrated

The latest findings from the Australian government's National AI Centre show that while AI adoption of Australian SMEs is increasing, its use remains limited and varies significantly by industry. So far, only 3% of SME businesses report broad AI use, and 22% report limited use (Chart 3), with retail trade, health and education, and hospitality leading adoption (Chart 4). Wider integration appears to be hampered by the speed of AI development making investment decisions difficult, a shortage of skills and funding, and challenges integrating AI with existing tech systems.

In 2025, the Reserve Bank of Australia (RBA)'s business liaison also found that "for most firms, adoption has been shallow to date, with nearly 40% indicating minimal use so far" and that "adoption is typically limited to digital assistants, such as Microsoft Copilot or ChatGPT, which have largely been sourced as off-the-shelf AI products and are currently used for discrete tasks, such as summarising emails and undertaking research.[1]

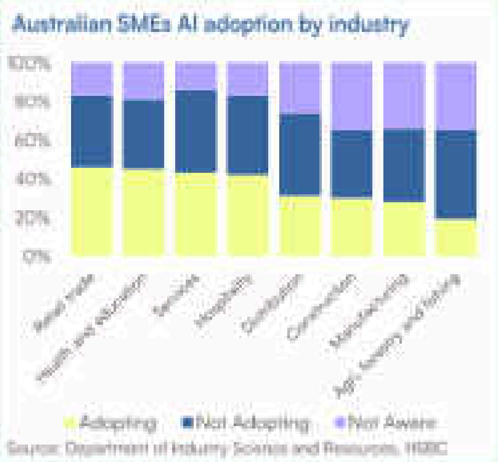
So, while local AI adoption has been slow so far, speeding it up presents an opportunity for Australia to lift productivity and raise living standards.

**Chart 3: AI has limited use across the broader SME complex, at this stage ...**



Source: Department of Industry Science and Resources, HSBC

**Chart 4: ... with adoption led by retail, health, education, and services**



Source: Department of Industry Science and Resources, HSBC

**Paul Bloxham**
Chief Economist, Australia, New Zealand and Global Commodities
HSBC

(1) See Fernando, J., McLoughlin, K., and Rathnayake, R., (2025), 'Technology Investment and AI: What Are Firms Telling Us?', Bulletin – November

# AI adoption creates winners, filters out the rest

Investors are excited about opportunities but remain cautious about how AI adoption will play out. Capital is flowing into AI where traction is visible, while other verticals, such as deep tech and fintech, are receiving less attention compared with general SaaS and AI. This is largely because AI offers clearer ROI for customers and a lower cost pathway to get started, enabling faster adoption and rapid momentum. By contrast, deep tech typically requires more time, capital, and calibration to reach product market fit and demonstrate a compelling value proposition.

Over the past twelve months, both the volume and quality of deal flow have improved as it has become cheaper to build, refine an MVP and win converting trials. The ecosystem feels more mature, with more capital and experienced talent returning, which in turn which makes competition for the best deals intense and pushes smaller investors to the edges. We occasionally see anomalies — sky high valuations for very early stage AI startups led by experienced founders. These inflated prices set expectations that are difficult
to meet and create a mismatch between stage and valuation, ultimately influencing who gets to participate.

**Michelle Vu**
Investment Manager, Alice Anderson Fund

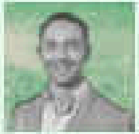
We are seeing a real push into the agentic space, particularly with browser agents, which we believe will unlock entirely new business models. Attractive opportunities are emerging across the entire AI stack, from applications to tools and infrastructure. On the tools and infrastructure side, data security and cybersecurity are front and centre. As deepfakes become more prevalent, identity verification and encryption will be absolutely critical. Beyond the software, and even outside the data centres themselves, the immense power consumption required for AI is becoming a significant part of the infrastructure story and a focus for innovation.

Right now, many teams are working on the low-hanging fruit, but the future will bring business models that we cannot yet imagine. It is crucial to understand that AI is not a short-term hype cycle; it is a once-in-a-generation technological shift. Many companies in this initial phase may not succeed, but the strongest will survive to set the standard for the next decade. The businesses that successfully convert early technical momentum into durable, scalable models are the ones that will ultimately define this era.

**Yash Varma**
Founder and General Manager, Empress Capital

Globally, the number and quality of deals have accelerated over the past twelve months, and 2025 has been a very exciting year for early-stage opportunities. Australia has presented some good opportunities, but it does not feel as positive as what we have seen in the US and Europe. The difference shows up in how very small teams are using AI to build quickly, and in how often those teams are finding product market fit and early, sometimes substantial, revenue traction.

The impact of AI comes from both the problems it addresses and the opportunities it creates, as well as from the ability of small teams to execute at speed. In the US we are seeing very small teams use AI internally to solve big problems externally, which is increasing the number of startups. We are seeing that dynamic in Australia to a degree, but not to the same extent as in the US. The momentum is unmistakable, even if it is not evenly distributed.



**Michael Ilczynski**
Managing Director, Seek Investments

# Artificial Intelligence

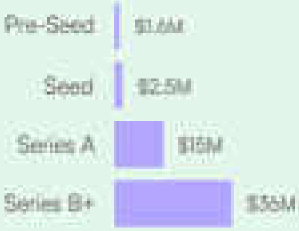
Time series analysis of "AI company" funding is impossible because many startups that previously raised without an AI offering have since pivoted to lean heavily into AI. In 2025, most announced deals involved companies using foundational models, and most capital flowed to the application layer, essentially SaaS2.0. Australia is active across the stack, but the model, data, and infrastructure layers demand scale capital that often favours global players with deeper pools of funding than our market can offer. That constraint creates an opportunity. Australia can win in orchestration and applications, where we have a proven software playbook and AI expands what's possible.

## 2025

**Total Capital**
**$3.1B**

**Deals**
**214**

### Median Deal Size

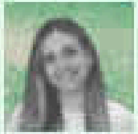



| | Deals | Examples |
|---|---|---|
| AI use at Application layer<br>$1.9B Total Capital | 198 | Lorikeet, Lyrebird Health, PANO, kasada, Heidi, andromeda, Lumonus |
| Orchestration layer<br>$37M Total Capital | 3 | Relevance AI, NINJA, Prefactor |
| Model layer<br>$210M Total Capital | 4 | Harrison.ai, Maincode, Isaacus |
| Data layer<br>$8M Total Capital | 3 | alloy, Lucent, ARLULA |
| Infrastructure layer<br>$871M Total Capital | 6 | firmus, SHARON AI, syenta |

# Vertical AI with ROI proof drives real budgets

AI is the theme of the moment for both new companies and teams that are deeply embedding it into their products. As with any major technology shift, what matters is whether using AI drives higher revenue, lowers costs, or delights customers, because that is where lasting value shows up. At Skip Capital, we look hard at whether engineering and product teams have AI experimentation built into how they work, not as a side project but as a capability that compounds learning and advantage over time.

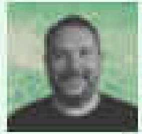
At the inception stage, the founder matters enormously. In such a dynamic market, we pay close attention to energy, strategic thinking, and a willingness to evolve the product with AI innovation in mind. Founders who use the tools themselves tend to understand what is actually possible and where the frontier is moving. The companies that stand out are not just talking about AI; they are running disciplined experiments, shipping improvements, and discovering new growth levers that would not have been appreciated without this hands-on approach



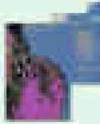
Olivia Sioud
Investment Partner, Skip Capital

The areas that excite me are mission-critical enterprise software anchored in so-called 'boring' traditional industries like industrials, utilities, telecommunications, manufacturing, supply chain, and risk. I look for places where Australia has a dynamic data or domain advantage, then help those companies export internationally. Because businesses always need the systems that run their operations, buyers make detailed, structured decisions and tend to use the software for a long time.

Many large organisations are still grappling with how to use artificial intelligence and are moving slowly on adoption. That creates room for domain-expert founders to solve real problems within verticals oracross horizontal infrastructure for the enterprise. Credibility built from time in market and deep expertise makes the buyer journey easier, even when budgets are tight. Mission-critical enterprise software still gets bought in good markets and in bad.



Matt Browne
Managing Partner, Black Nova



We invest early because the embodied AI companies that will matter don't exist at growth stage yet. Australia is built to unleash them with lower entry valuations, sovereign testbeds, and applied talent that costs 50–70% of U.S. rates with higher retention. The frontier is where intelligence leaves the screen for machines, infrastructure, and human systems. We back founders turning physical bottlenecks into compounding moats. In this space, the window to own outliers opens early. And it closes fast.

Simon Betschel
General Partner, Unlock Capital

We're spending most of our time looking at two categories, vertical AI applications and AI enabling infrastructure. The most interesting founders right now are those with deep domain expertise who can build defensible products tailored to specific industries. They know the workflows, the pain points, and how to turn that into an automated, higher-value customer experience. When that experience delivers measurable cost savings or revenue gains, you start to see meaningful contract values and faster scaling. In parallel, enabling infrastructure continues to attract interest. Observability, security, and integration tools that help enterprises implement AI safely and effectively are becoming critical parts of the stack. Together, these layers form the backbone of the next decade of software. We're not chasing hype cycles, we're following where the adoption and value creation are actually happening, and right now that's in the intersection of applied AI and practical enterprise deployment.

Georgie Turner
Partner, Tidal Ventures

# Workflow integration beats AI branding hype

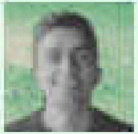
Our investment mandate is sector agnostic, but AI is the key theme shaping how the assessment of investment opportunities as AI will be ubiquitous. I am not interested in pitches that bolt on ".ai" or use AI as a keyword throughout the pitch deck as way to reposition the company. What matters is how AI is integrated into workflows and employed across the business to create durable product and process advantages for internal stakeholders and external customers.

AI has lowered the bar to start a business and sped up development, so competition has intensified across the board. This shift makes early traction less meaningful. It is easier than ever to win the first few customers, but the hard part is keeping them when a rival can be spun up quickly using the same building blocks. The companies that stand out will show a credible path to sustained differentiation and retention, not just a demo powered by the latest model.

**Karen Chan**
Portfolio Manager,
Perennial Private Investments

AI is particularly well suited to high-floor, low-ceiling tasks. These are jobs that are somewhat complex, must be done accurately, yet offer no upside for doing them exceptionally well. Payroll is a good example. There is only downside if it is done incorrectly and no one is rewarded simply for paying people on time.

Vertical SaaS continues to win because the best products become part of a customer's data flow and deliver sticky, predictable retention. Within this, data and compliance software is especially compelling. Regulation keeps rising, complexity keeps increasing, and customers are willing to pay for tools that keep them safe and their data accurate.



**Matthew Parbhu**
Partner, Shearwater Capital

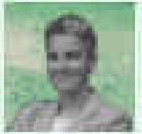
I expect AI agents to replace SaaS human seats in the not too distant future, shifting the business model so companies pay for virtual employees alongside real employees. This will fundamentally reshape how work gets done and how software is priced and adopted. In theory, this expands the total market size across many sectors, including old and often boring industries that have been hard to digitally transform. Australia is well placed to be a testing ground and we're excited to see AI can finally unlock legacy sectors while creating exciting new markets.

**James Alexander**
Co-Founder and General Partner,
Galileo Ventures

# Deep tech resurgence, specialists and new capital emerge

Over the past six months at Flying Fox, we've definitely seen increased excitement for deep tech over classic B2B software, which we've been investing in to date. As software becomes increasingly commoditised, deep tech stands out for its defensibility, differentiated IP, and stronger long-term moats. Modern efficiency tools — especially AI and automation- are accelerating commercialisation, making deep tech more viable and faster than in previous cycles. Outstanding teams that pair truly defensible technology with best-in-class software and strong UI and UX can be great investment opportunities now more than ever.

Additionally, deep tech historically attracted a narrow investor set because of its capital intensity and longer paths to revenue or exit. That's changing rapidly. Investors who once stayed firmly in software are now stepping into deep tech, and that widening investment pool is meaningful for founders. The combination of defensibility, faster go-to-market enabled by new tools, and growing investor appetite is reshaping the opportunity landscape, and we're quite excited by the opportunities we're seeing and backing.



Rachael Neumann
Co-Founder, Flying Fox Ventures

AI-native financial infrastructure is not a vertical so much as a rewiring of the financial plumbing. Identity, risk, payments, reconciliation, compliance, underwriting, fraud, and decision-making are being rebuilt from first principles with AI as the backbone. These are high-stakes, high-volume categories with a clear willingness to pay, and AI does not just make them faster: it enables new product classes entirely.

In Australia, a unique accelerant looms as superannuation shifts from an asset management business to a payments and transactions business. As funds internalise onboarding, payments, member identity, switching, compliance, and retirement income streams, the demand for smarter, automated infrastructure explodes. Today the hype is loud, but the market will become far more discerning by 2026. The infrastructure winners will accelerate because better models drive superior risk signals, stronger economics, and real defensibility while the storytelling premium fades. The momentum will endure, but the value will accrue to those who turn AI into rails that carry recurring revenue for decades.

Judy Anderson-Firth
Co-Founder,
Triple Builder

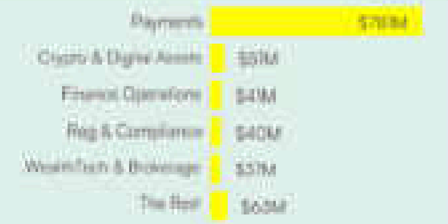
I think we might be through the peak AI investment cycle, with investors returning to fundamentals and sectors they understand. There remains strong interest in energy and renewables, and I am seeing more attention on what you might call deep tech, where genuine software development is paired with hardware in areas that historically struggled for funding. We have not changed the stages we focus on, but there is more emphasis on deep tech over pure software as a service.

One driver is that AI assistants help engineers create software better, faster, and cheaper. Capital that would have gone to early engineering teams is not always needed to the same extent, which shifts where funding can have the most impact. Deep tech is not easier, and its timelines and economics can be hard for generalist investors to get their heads around. However, new specialist investors are emerging who are dedicated to this space. It is still a niche, but the best deep tech deals will draw the right investors, because real innovation with solid fundamentals is again what carries the day.

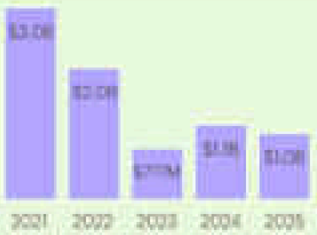
Andrea Gardiner
Founder and CEO,
Jelix Ventures

# Fintech

## 2025 Funding by Subsector




## Total Capital

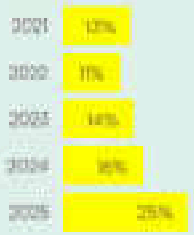



## Total Deals


## Median Deal Size

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Pre-Seed | $2.4M | $170K | $1.6M | $1.0M | $1.0M |
| Seed | $3.0M | $5.0M | $3.5M | $3.4M | $2.8M |
| Series A | $7M | $10M | $4M | $15M | $9M |
| Series B+ | $29M | $33M | $16M | $37M | $12M |

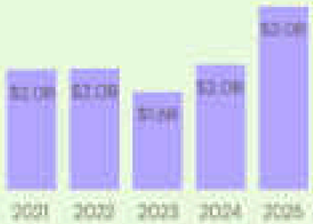
## Female Founder Deal Participation




# Deep Tech

## 2025 Funding by Subsector


## Total Capital

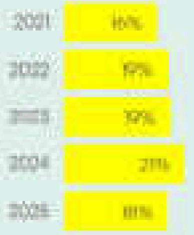



## Total Deals


## Median Deal Size

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Pre-Seed | $400K | $600K | $1.4M | $750K | $1.2M |
| Seed | $2.9M | $3.0M | $3.0M | $3.2M | $2.9M |
| Series A | $10M | $11M | $10M | $10M | $10M |
| Series B+ | $35M | $22M | $26M | $20M | $30M |

## Female Founder Deal Participation



# Defence, space, and deep tech accelerate locally

AI, defence and robotics are where we're seeing the strongest pull and the highest-quality deal flow. Even with the wave of recently minted AI unicorns, it still feels like the early phase of a generational tech cycle. We're on the cusp of achieving significant breakthrough + ROI (especially with agent automation —just looking at coding agents!), and multiple layers of the stack wide open. Australia brings exceptional engineering and ops talent, a global from day 1 mindset, and a history of capital efficiency which bodes well for AI-native startups. World models and physical-AI systems are accelerating robotics in ways that were barely imaginable a few years ago. Defence has become a key focus for governments globally, and we expect to see continued large investments and a wave of interesting AI and robotics plays.

Competition is rising fast, and the bar for traction, tech depth and product keeps climbing. The winners will be those that turn early momentum into durable products that are 10x better, cheaper and faster than alternatives. Founders are moving quickly to meet the moment and it is a very exciting time to be investing.

Sally Yu
Principal, King River Capital

We have not seen deal flow materially change in number or quality over the last twelve months. That may be because our focus is in deep tech, where about 50% of our deal flow is proprietary, including university spinouts. There are still fantastic companies coming out of the Australian ecosystem, and that pipeline has been steady.

The Australian deep tech ecosystem is incredibly diverse and very strong, particularly in quantum, sensing, and autonomy. We have seen a number of companies really start to hit their stride and become global leaders in their space. That depth matters because it shows that capability is not concentrated in one niche.

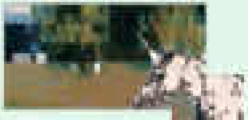
This mix of proprietary opportunities and university spinouts is translating into companies that can compete globally. It is a sign that Australia can produce global leaders in quantum, sensing, and autonomy.

Alezeia Brown
Principal, Main Sequence

All segments were interesting (aren't they always?!), but we saw especially strong opportunity sets in Health and Med Tech, in Space and Defence, and in Clean and Ag Tech. Australia had a competitive advantage in these segments, with the technical knowhow to build in these areas. Many of these businesses being built stand a real chance of becoming global leaders – real game changers.

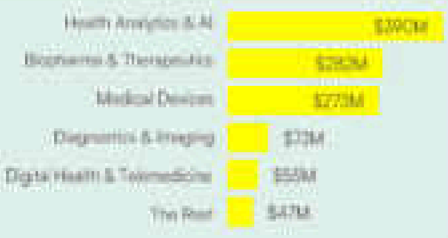
Within Health and Med Tech, we were very interested in device diagnostics and in the application of AI across the segment. Stronger companies focused on thoughtful alliances and expansion, on retention, and on margin expansion, which aligned with how later-stage businesses navigated the conditions. Founders who brought that discipline to these sectors and applied AI sensibly were better placed to compete. As market expectations rose, those approaches separated resilient teams from the rest and kept momentum through diligence. Taken together, Australia's advantage in these sectors and the sensible use of AI supported companies with genuine global potential.

Rajeev Gupta
Partner, Akum Capital

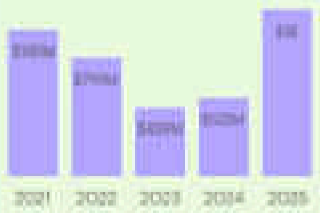


# Health

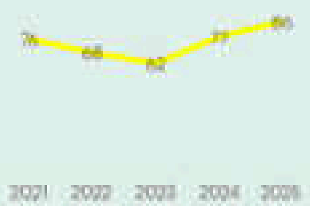
## 2025 Funding by Subsector




## Total Capital



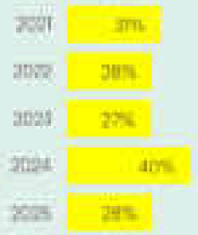

## Total Deals




## Median Deal Size

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Pre-Seed | $300K | $700K | $2.0M | $1.8M | $1.0M |
| Seed | $2.8M | $3.0M | $2.0M | $1.0M | $1.9M |
| Series A | $10M | $10M | $6M | $7M | $7M |
| Series B+ | $33M | $23M | $25M | $17M | $40M |

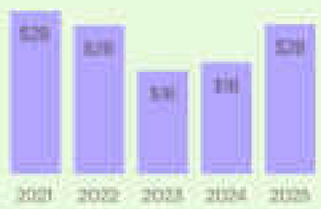
## Female Founder Deal Participation



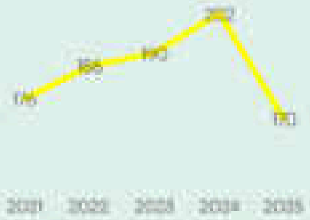

# Impact

## 2025 Funding by Subsector


## Total Capital



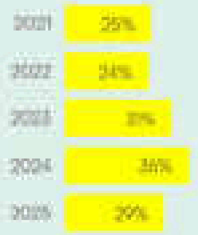

## Total Deals




## Median Deal Size

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Pre-Seed | $700K | $900K | $1.4M | $825K | $1.0M |
| Seed | $2.5M | $2.6M | $1.6M | $2.5M | $2.5M |
| Series A | $5M | $10M | $6M | $4M | $10M |
| Series B+ | $34M | $20M | $22M | $18M | $30M |

## Female Founder Deal Participation



# Where smart money is flowing in Digital Health

**Hot take of the year? Digital health is now just "health." Before Covid, the category was basically "Health IT," meaning clunky back-end software consumers never saw, mixed with a handful of step-tracking apps.**

Today, it is a fast-maturing sector that has moved well beyond the app era and into a cycle defined by capital discipline, clinical credibility and some global investor attention.

In 2025, capital is flowing like a healthy arterial vein, but it is flowing selectively. For founders, investors and angels, understanding where appetite is shifting matters more than ever.

## Funding dynamics: What the 2025 data actually shows

This year's funding environment has been shaped less by volume and more by conviction.

The clearest signal is the return of major foreign investors to Australian digital health. Left Lane Capital investing in Evertab, Forerunner backing Andromeda, LocalGlobe joining Human Health's raise, and Point72 leading Heidi Health's $98 million Series B all point to the same conclusion: global VCs see Australia as a source of clinically strong, capital-efficient teams at reasonable valuations.

The second trend is thematic. AI-native health companies, not AI bolted on as an afterthought, are attracting the strongest interest. Heidi Health is the standout example, but it fits a wider pattern including workflow automation (StrongRoom AI's acquisition and clinician-backed follow-on funding for Medow Health), advanced diagnostics (Nutromics), data infrastructure (Sahha.ai) and precision imaging (OneMRI). Investors are backing AI that removes real clinical or operational bottlenecks, not AI used as a slogan.

Government and translational funding has become a cornerstone of early-stage momentum. Australian Research Council's (ARC) Program, Medical Research Future Fund (MRFF), Breakthrough Victoria and the Industry Growth Program are helping academic teams reach investable maturity. These amounts are modest, but they are critical for companies still proving feasibility or navigating early regulatory steps.

M&A activity is also rising quietly. Telecare's acquisition by Teladoc Health, MedAdvisor's ANZ sale to Jonas Software, and transactions involving Pena Healthcare and Planet Innovation reflect a sector moving out of adolescence. Consolidation is no longer speculative. It is now part of the operating environment.

Taken together, 2025 has produced a barbell-shaped market: large rounds at the top, a long tail of deals under $2 million at the early stage, and very little happening in the middle. The middle is where traction, regulation and defensibility are tested, and investors could be avoiding this unless the evidence is strong.

## What investors actually want in 2025

Investor appetite has shifted toward clarity and proof. The enthusiasm of 2021 and 2022 has been replaced with a more selective lens:

- Clinical adjacency wins. Products that reduce waste, shorten workflows or show measurable clinical impact outperform generic wellness tools.
- Evidence beats narrative. Even early directional data matters.
- Go-to-market discipline is expected. Long sales cycles must be addressed directly.
- Global pathways matter. The strongest companies show relevance beyond Australia from day one.
- Capital efficiency is a strength. Australian founders stand out, and this is a key reason global funds are returning.

In short, investors are not necessarily risk-averse, they are simply avoiding vague commercialisation plans.

## What founders could do in 2026

The next steps for founders are practical:

- Align your story with where capital is actually moving, including AI-native workflow tools, diagnostics, virtual care infrastructure and advanced Medtech.
- Build unit economics early, even if they are small.
- Bring clinical partners into the process before investors request it.
- Use translational grants to create early momentum if you are pre-revenue.
- Frame your market globally rather than limiting the narrative to Australian demand.

Australian digital health is no longer a niche. It is a high-conviction, globally relevant investment category, and 2025 showed capital flows finally reflect that.

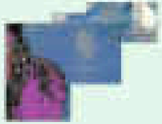
Terry Cornick
General Manager, Digital Health Festival

# Healthcare and climate pressures create urgent demand

We are seeing incredible opportunities in healthcare as system pressures mount. Ageing populations, rising rates of chronic disease, escalating costs and workforce shortages are creating urgent demand for innovations that improve efficiency and outcomes. AI is unlocking breakthroughs that were not previously possible, particularly in preventative care and diagnostics. Within that, women's health remains a major focus.

I believe Australia's world-class research capabilities, its growing leadership in climate and health innovation, and improving market conditions are converging with a steadily maturing venture ecosystem. Supported by strong technology and regulatory tailwinds, this means founders can now operate with greater speed and efficiency, enabling them to address some of the world's most pressing challenges.

**Rachel Yang**
Partner, Giant Leap



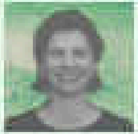
I am very excited about health tech right now. It is one of the last large industries where technology has lacked major adoption, and we hope AI will help to break down complex problems. There is clear scope to improve health care delivery and administration, reduce costs of delivery, and support better outcomes in areas like longevity and complex illnesses. The willingness to adopt software and AI in both clinical and administrative workflows is rising rapidly.

On the consumer side, there is strong demand for preventative healthcare and a readiness to pay for better experiences. Investor interest is healthy but not overcrowded, particularly in direct to consumer, which creates room to build. Given the size of healthcare as a share of GDP and the pace of recent adoption, this enthusiasm should persist over the coming years. The opportunity is large, the need is urgent, and the capability combined with adoption is finally here.

**Stew Glynn**
Managing Partner and Co-Founder, TEN13

At the beginning of the year, we saw a pullback in climate tech funding, driven by uncertainty after the US election, but momentum in Australia recovered strongly. This was driven by our own election, a resounding Labor victory, and clear policies supporting the adoption of climate technologies.

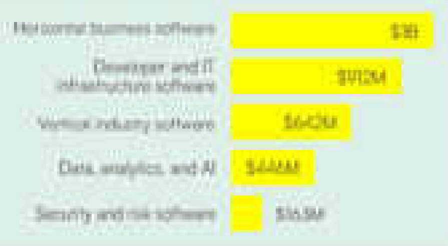
Great climate tech companies are being funded, and we are seeing interesting opportunities from the US as funding there has pulled back and strong teams look for capital in markets still leaning into decarbonisation. There is still caution on valuations and it is taking longer to close deals. Companies face far more pressure to prove traction, unit economics, and what milestones they have achieved or risks they have retired before raising. This means being deliberate in outreach and allowing more time to secure a round. The pendulum has moved from impact first toward impact with a strong commercial rationale, and capital is flowing to teams that can demonstrate that case with evidence, not promises.



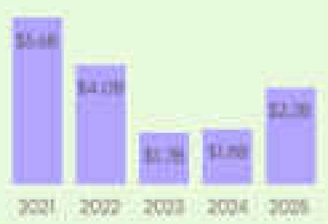
**Kristin Vaughan**
Managing Partner, Virescent Ventures

# B2B Software

### 2025 Funding by Subsector




### Total Capital

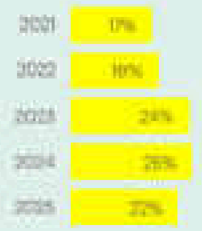



### Total Deals


### Median Deal Size

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Pre-Seed | $500K | $600K | $1.0M | $600K | $1.6M |
| Seed | $2.3M | $2.6M | $2.0M | $2.5M | $3.0M |
| Series A | $7M | $10M | $6M | $7M | $10M |
| Series B+ | $32M | $30M | $22M | $23M | $35M |

### Female Founder Deal Participation

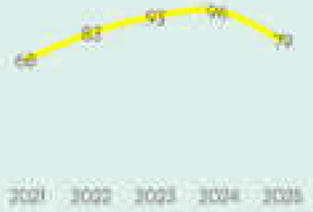



# Climate

### 2025 Funding by Subsector


### Total Capital

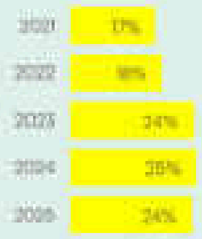

### Total Deals




### Median Deal Size

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Pre-Seed | $700K | $1.7M | $1.8M | $850K | $925K |
| Seed | $3.0M | $2.7M | $2.0M | $4.0M | $2.3M |
| Series A | $7M | $10M | $10M | $9M | $13M |
| Series B+ | $38M | $20M | $20M | $19M | $25M |

### Female Founder Deal Participation



# Australia as proving ground, then export at scale

Several sectors stand out as particularly compelling right now: climate and energy, food and agriculture, and medical and health technologies. Australia holds a genuine competitive advantage here. Both local and international startups in these areas are keen to launch in Australia, as it represents a sizeable market allowing companies to reach meaningful scale before expanding globally. A large agriculture and mining sector, combined with an ageing population, reinforces this opportunity from a macro perspective.

AI is now embedded across technologies in these sectors, including diagnostics, therapeutics, biologicals, robotics, and new energy systems. Investor interest has moderated from the highs of 2021 as more people recognise how challenging these sectors can be to scale. Still, anything genuinely AI-first in these categories remains highly competitive.

**Alexandra Clunies-Ross**
Partner, Artesian

The most compelling opportunity I see in Australia right now is physical AI, which is fundamentally about replacing labour with robotics and autonomy in sectors that suit the country's realities. Australia has a small population, a vast landmass, and abundant minerals and critical resources, making it a useful microcosm for the Western world and a natural testbed for robotics, computer vision, and autonomous systems.

The research and development base is strong, with plenty of places to deploy, tinker with, and improve products before scaling. Combining these ingredients creates a powerful foundation for leadership rather than catch up: this is where Australia could lead the market. I am not yet seeing increased local competition because Australia tends to trail the US by 6 to 9 months, but I expect acceleration here. By the midpoint of 2026, the scramble for the best physical AI companies will be unmistakable.

**Steve Allan**
Managing Partner, Blue Corridor Ventures

Within agri-food, autonomy stands out as one of the most attractive areas right now. We are seeing a lot of momentum because labour shortages are real, climate pressures are present and the opportunity for precision technology is compelling, and the technology is more ready than it has ever been. Australia is uniquely well positioned in agricultural autonomy because our farms are larger and more commercial, due to lower subsidies. This creates both a stronger need and greater capability to adopt these solutions.

Interest is rising, but it still feels more collaborative than competitive. Autonomy in agriculture can have elements of deep tech, and agriculture is still subject to dynamics like seasonality, so it does not behave like AI or B2B software. That mix keeps a diverse set of investors engaged without turning every deal into a bidding war.

I expect this enthusiasm to hold in 2026 and beyond. Autonomy has reached a tipping point, and we will continue to see a more nuanced range of plays take shape. The category is only just beginning to show how broad it can be.

**Sarah Nolet**
Managing Partner, Tenacious Ventures

# 02 The State of Liquidity

# Five things to know

## 1

**Liquidity remains the core constraint for venture capital in Australia and abroad. DPI pressure and an approaching exit wave pushed funds, founders, and LPs to prioritise realisations over marks.**

In 2025, liquidity set the tone for the market. Investors stayed active, but distributions remained scarce, so DPI shaped fundraising, pacing, and risk appetite. Many portfolios still carried 2020 to 2022 entry prices that buyers will not underwrite, which widened the bid-ask gap and delayed clean exits.

At the same time, a growing cohort of Australian tech companies entered its natural exit window, alongside founder-led businesses seeking retirement outcomes. With IPOs selective and later-stage funds unable to absorb the volume, managers leaned harder on pragmatic pathways. These included trade sales, sponsor-backed transactions, structured partial liquidity, and carefully chosen secondaries. The market needed capital recycling and clearer decisions on timing, pricing, and control.

## 2

**Secondaries mature into infrastructure, offering repeatable liquidity without forcing exits**

Secondaries have shifted from one-off relief to a more established liquidity mechanism, particularly for later-stage companies. They create periodic windows for employees and early investors to realise some value while founders keep building. Discounts remain common and activity concentrates in the highest-quality assets, so secondaries rarely solve portfolio-wide illiquidity.

## 3

**M&A and private equity fill the gap left by selective IPO markets**

Acquisitions remain the most likely exit path, and private equity has become a more meaningful buyer and transition point. Sponsor-backed outcomes can deliver liquidity while keeping companies on a scaling trajectory, especially where operational support and M&A-led growth matter. This pathway rewards disciplined metrics and integration capability. It also signals ecosystem maturity as VC to PE becomes a credible progression.

## 4

**The ASX stays quiet for tech IPOs, but placements remain active**

Tech IPOs on the ASX remained scarce in 2025, yet listed tech raised meaningful capital through institutional placements. Investors funded credible growth plans, capability building, and acquisitions, backing known quantities with proven track records and disclosure. This supports liquidity and consolidation, but it does not clear the venture exit backlog. The bar remains high and outcomes remain selective.

## 5

**LP expectations sharpen around discipline, transparency, and deliberate vintage diversification**

LPs are not homogenous, but their areas of focused converged. They want clearer reporting, consistent valuation methodology, and disciplined fund sizing aligned to the opportunity set. Many also treat vintage diversification as a risk-management tool as fund lives extend and distributions slow. Track record and team stability remain paramount. Managers who communicate well earn patience, while opacity now carries a real allocation cost.

# Liquidity talk grows as exits stay elusive

**Despite the uptick in investment activity, liquidity remains the binding constraint across global venture capital. The exit engine still does not reliably convert paper gains into cash distributions for limited partners, but 2025 showed some cause for optimism. The IPO window cracked open slightly, and trade and private equity M&A began to show signs of life.**

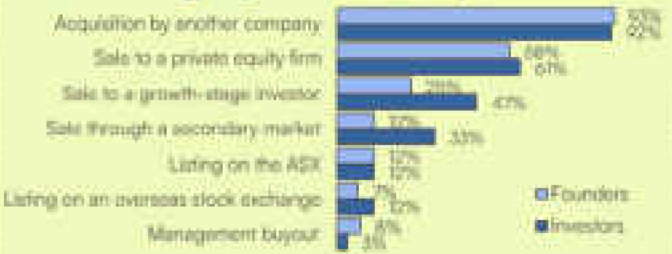
That global dynamic is playing out sharply in Australia, where exit discussions are front and centre for local VCs. For some, it reflects funds that have moved beyond the life of their earliest vehicles. For others, DPI has become the metric that matters most to limited partners in fundraising conversations. The growing gap between paper portfolio gains and cash outcomes is shaping limited partner behaviour and constraining fundraising.

The 2020-21 valuation overhang remains a major blocker. Many later-stage startups and their investors remain anchored to peak valuations, widening the bid-ask spread between what sellers want and what acquirers or public investors will pay. The bar for public listings is also higher, with greater scrutiny on governance and the path to profitability. In global M&A, government-led measures aimed at restricting anti-competitive behaviour have increased uncertainty about whether large-scale acquisitions can close.

Venture investors are now planning for longer hold periods, higher follow-on reserves, and more active portfolio shaping to create earlier options for M&A or partial liquidity. Secondaries and continuation vehicles are becoming more common, offering earlier cash for early investors and employees, often at a discount and without the fanfare of a traditional exit. In Australia's still relatively small ecosystem, the result is slower capital recycling, tighter funding conditions, and a higher bar for emerging managers yet to return cash to investors.

### Founder and Investor insight

**What exit strategy do you view as most likely?**

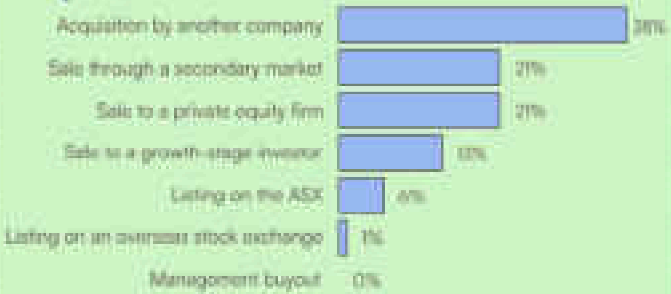



### Investor insight

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

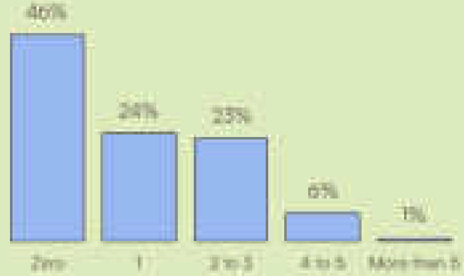

### Investor insight

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




### Investors insight

**How many exits did your firm have this year?**



# Multiple liquidity paths show signs of emerging for investors

The exit environment has improved relative to 2023 and 2024, although the IPO market has not fully unblocked. It is more active than it has been for many years, and that activity is driving liquidity back through the market. Secondary activity has also provided meaningful liquidity to early investors and employees, injecting capital back into startups. As Australia is a feeder ecosystem into the US, an improving M&A and liquidity environment there is also lifting outcomes here.

We are also starting to see local tech companies become large enough to make acquisitions at home, creating new pathways to exit. This is crucial for the ecosystem because the liquidity lockup has stifled reinvestment and the cycling of capital. Once meaningful liquidity returns through IPOs, secondaries, and M&A, early and mid-growth stage investing will accelerate. When liquidity flows, the entire ecosystem starts to move faster.

**Maxine Minter**
Founder and General Partner, Co Ventures

Sentiment in the Australian market is extremely strong as a new wave of AI-led startups emerges. Over the past 12 months, deal flow has significantly increased in both number and quality. We are finding companies to be, on average, faster growing, far more efficient and further progressed given the wave of AI that is reshaping the development of software. For formative companies, Australia's funding environment has rarely been deeper, with most institutional funds looking to invest at the earliest stage, combined with the ongoing proliferation of new angel investors and fund managers alike.

Against that backdrop, at the later stage, a very healthy exit environment is also present. US-based sponsors and strategics are active, and the IPO window is beginning to open. This is starting to generate meaningful liquidity for early LPs inside Australia's venture programs, and serves to validate Australia's strength on a global scale.

**Justin Lipman**
Partner, EVP

As major funds become increasingly confident deploying substantial capital into single deals, valuations have risen across the market. While this raises the bar for fund-level returns, it also expands the opportunity set: investors are now aiming not just for unicorns, but for the far more valuable decacorns that can transform portfolio outcomes.

Against this backdrop, the secondary market is maturing in a healthy and dynamic way. A growing cohort of specialised secondary funds is emerging, and larger venture firms are engaging more actively in secondary opportunities. This heightened interest is increasing liquidity, creating more pathways to realise value, and giving founders and early investors additional options.

**Adrian Petersen**
Partner, AfterWork Ventures

# Secondaries emerge as a repeatable liquidity layer

**In response to slow traditional exit activity, secondary sales in Australian venture capital becoming a more repeatable market mechanism.**

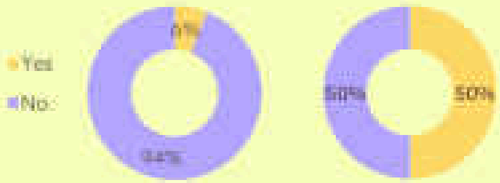
The successful Canva and Rokt employee and investor secondary share sale in 2025 showed that scalable secondary processes are possible for Australian startups, and that the asset class can return capital without forcing an IPO timetable. This enables companies to plan periodic liquidity windows, gives employees a clearer pathway to realise value, and lets early investors de-risk while retaining upside exposure. While a positive sign, the availability of secondary liquidity remains concentrated in a small set of highly demanded companies.

Beyond company-led programs, local infrastructure is also developing. Dedicated secondary funds, growth-focused private equity, and follow-on venture capital strategies now exist to take advantage of longer hold periods and extended distribution cycles.

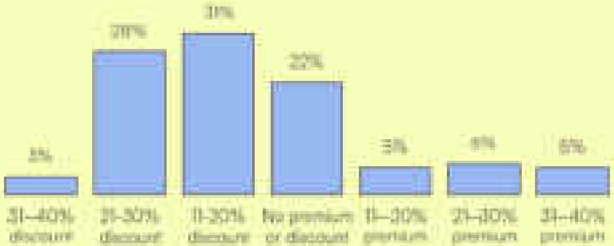
Secondaries are a welcome addition to the Australian venture landscape, but they are a one-off solution to the dearth of traditional exit activity. In practice, they tend to provide liquidity for employees and investors more than founders, and transactions typically clear at a discount to the prior round.

**Founder insight**
Have any of the founding team members participated in a secondary sell-down?

**Series A and earlier** **Series B and later**




**Investor insight**
What do you estimate the average discount or premium paid in a secondary sell-down?

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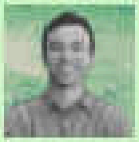
We're seeing a clear lift in exit activity, particularly to trade buyers and sponsors, reflecting a maturing ecosystem and stabilising valuations. While IPO markets remain selective, strategic acquirers and private equity platforms are actively pursuing bolt-ons and growth adjacencies.

At the same time, the exit toolkit has broadened: secondary transactions are becoming more common for founders and sponsors, and some managers are establishing continuation vehicles to hold their highest-conviction assets for longer. Together, these trends are giving teams greater confidence to grow with a clearer line of sight to liquidity, creating a healthier and more flexible set of outcomes for both founders and investors.



**Alex Mount**
Director, MA Growth

# Investors: don't forget vintage diversification

**As VC has matured and fund durations have extended, time and timing have become under-appreciated drivers of returns. As a result, secondaries are becoming an increasingly important part of the asset class's infrastructure.**

## A reminder on venture mechanics

VC is unlike other asset classes. Returns follow a power law, where the majority of returns emerge from a small fraction of outlier company investments. This is replicated across funds, which have significant performance dispersion; the best funds support the market's average return, while most underperform.

Venture funds follow a J-curve over time: losers emerge early, winners emerge next, and the extent of the winners last. The final few years of a fund's life often contribute a disproportionate share of overall returns.

But there's another critical driver of fund returns – vintage. A fund's 'vintage' is the year it makes its first investment. Empirical data suggests about 80% of the returns in all of VC come from just 20-30% of vintage years.

VC is volatile and cyclical, impacted by market conditions and technology 'hype cycles' (e.g. AI, web3). Vintage outcomes are impacted by the valuation environment on entry, the success of the prevailing technology, and later, whether the exit window is favourable.

## What's changed: and why this matters more now

These mechanics have become more acute. Over the past decade, private markets have expanded, while traditional exit pathways like IPOs and M&A have narrowed. With liquidity delayed, the lifetime of a VC fund has extended: the advertised 10 years has extended to 15 years or more.

By the time funds are mature enough to show on-paper performance, measurement may be clouded by valuations that don't always reflect true value. If existing VC positions can't be easily valued or made liquid, patience may run thin.

As a result, many investors experience outcomes that fall short of their expectations. It's no surprise some express frustration and reduce allocation or retreat altogether.

## The missing lens: what investors overlook

As markets evolve, judgments informed by hindsight age quickly. Allocators tend to focus on the wrong variables, with emphasis placed on manager selection and historical performance. Timing, vintage, and duration matter as much as selection for realised returns.

Allocators exposed to a narrow set of vintages risk compounding their mistakes, deploying into a market peak only to withdraw post-downturn, or neglecting to deploy into new vintages while awaiting liquidity.

This lens applies even when VC investing goes well, as outlier outcomes like Canva can come to dominate an investor's net worth on paper. Managing concentration and liquidity is a rational response.

## The emergence of Secondaries as infrastructure

Enter secondaries, which have become an increasingly important feature of the VC ecosystem. Secondaries provide episodic liquidity, allowing capital to change hands without requiring a company-level exit.

The discount applied to secondaries attracts lots of attention, however, the key is actually selectivity. Activity does not support weaker assets or those anchored to old valuations, concentrating heavily into the strongest companies and portfolios.

LP secondaries function not just opportunistically, but also as valuable infrastructure. For investors and sellers, they can support capital recycling, help manage duration and concentration, and provide a mechanism to build or maintain venture exposure across vintages and stages, rather than relying solely on new fund commitments.

As fund lives extend and exit pathways narrow, the cost of unintended concentration has increased. In a maturing venture market, diversification across time is increasingly important. Secondary markets are emerging as part of the infrastructure that supports this evolution, helping align long-term venture exposure with more deliberate portfolio construction.

Max Kausman
Founder, Advance VC

# Navigating liquidity when value outlives the fund

**The venture asset class is characterised by a unique structural mismatch. Funds typically have a fixed fund life of ten years, yet the best companies that compound value at scale often generate the majority of their equity value beyond that horizon. In practice, it takes time, sometimes more than a decade, to realise the full value of a well-invested fund.**

This creates a persistent tension for fund managers. GPs are tasked with balancing the dual objectives of maximising long-term returns for LPs, while also delivering distributions within the life of the fund. That pressure intensifies as new funds are raised every three to four years, which requires evidence of realised performance to support fundraising.

**In 2026, this tension is coming into sharper focus.**

As we enter the year, around $12bn of unrealised venture assets sits in local funds that are either beyond or approaching the end of their fund life. At this scale, unrealised value increasingly influences decision-making across managers, LPs and the broader ecosystem, particularly around liquidity and fund-life management.

When there is ample liquidity and distributions are both frequent and at attractive rates of return, venture ecosystems thrive. Capital can be recycled efficiently to support the next generation of company formation and the managers who invest in them.

When distributions slow, even if headline portfolio values continue to rise, LPs receive less capital back to redeploy. As commitments span multiple vintages, this reduces the capital available for subsequent allocations and increases the emphasis on realised returns; without them, strong on-paper performance is often not enough to support new commitments.

**The $12bn of unrealised value** in domestic venture will continue to compound over long private market journeys. But as fund lives approach their end, decisions on liquidity, fund extensions, secondaries, continuation vehicles, and other exit pathways are required.

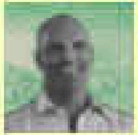
How this tension, between LP expectations and GP decision-making, is navigated will be a key question for the Australian venture ecosystem in 2026. The market has reached an inflection point, not in value creation but in capital recycling.

Ian Beatty
Managing Partner, SecondQuarter

# Liquidity lag persists, patience required for exits

It is still early in the cycle for the exit environment to feel open and easy, and I think it will take a couple of years before that changes. Big capital is still cautious: they want to see early-stage companies advance and to see earnings and growth proven out for a number of years before moving, and that stance will take time to shift.

For the environment to improve, big capital needs to move further along the risk curve and recognise when young companies have achieved sustainable earnings and growth and are ripe for investment, rather than waiting for a long history that simply mirrors their preference for mature profiles. Until that shift happens, the exit environment will remain constrained for young companies. In the meantime, we see the biggest opportunities continue to be in the very early stage and the mid-sized transactions.



**Ryan Holsheimer**
CEO and Managing Partner, Admiralty Capital Group

After a poor couple of years, sentiment is improving toward the end of this year and into 2026. The funding environment for startups is improving at a greater rate than investor appetite, a lift helped by increasing comfort with private assets, a pickup in M&A activity, and the energy from the AI hype. In the last six months, deal quality and quantity have both ramped up.

The exit environment remains slow, and change is unlikely until more M&A and IPOs flow through. Public market trends tend to move into private markets after a lag, often passing from Series C to B to A. Investors are cautious, seeking capital returns from early venture investments before committing to new funds. While there is dry powder, it is not as easy to raise as it was a few years ago. Founders are sensibly raising 18 to 24 months of runway rather than 12, and the teams that plan for that lag will be the ones still standing when the tide fully turns.

**Rohan Workman**
Co-Founder, Skalata Ventures

# From Venture-backed to PE-backed: The new exit frontier?

**For years, Australian venture-backed tech companies have focused on two main exit options: selling to a strategic (often offshore) buyer or listing via IPO. Both remain important, but they're no longer the only credible outcomes. A third path is gaining traction — transitioning from venture ownership to growth-stage private equity (PE) — reflecting the evolution of the local ecosystem.**

### Liquidity without ending the journey

The key appeal is straightforward: partial liquidity without stepping away. Growth PE deals are typically structured so founders and management can sell some shares, cash in, and still keep a meaningful stake. This is a clear contrast to trade sales, which often see founders exit entirely, and IPOs, which bring dilution, public scrutiny, and disclosure burdens. For founders still passionate about their work, growth PE offers personal de-risking while retaining control and upside.

### Flexible ownership structures

Growth PE's approach to ownership has shifted. The old idea that PE must own 100% is outdated. Many firms are now comfortable with anything from a large minority to a 60-70% majority, investing alongside founders and management. This flexibility means founders can keep control when it makes sense, governance can evolve gradually, and capital can align with genuine growth needs—not arbitrary ownership targets.

### Operational support for scaling

Modern growth PE firms set themselves apart with operational expertise, maintaining in-house teams focused on strategy, go-to-market execution, pricing, finance, and international expansion. For VC-backed businesses moving from rapid growth to institutional scale, this support can be game-changing. While VC is great for early growth and experimentation, PE brings the operational discipline needed as companies reach scale.

### A partner for M&A-led Growth

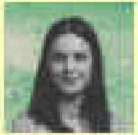
As Australia's SaaS markets mature, organic growth alone rarely propels companies to global relevance. M&A is becoming central to the growth strategy. Growth PE is well suited to this: funding acquisitions, enforcing valuation discipline, and supporting integration — all while keeping the business independent, unlike a strategic sale.

### Domestic PE has caught up with software

Australian PE firms' understanding of software and recurring revenue models has advanced rapidly. Metrics like NRR, churn, CAC payback, and usage-based pricing are now standard practice. As a result, SaaS businesses no longer face a valuation or sophistication gap when dealing with local growth PE investors.

### A sign of ecosystem maturity

Growth PE isn't right for every startup. Early-stage companies are best served by VC, and PE ownership brings more structure and accountability. But the rise of VC-to-PE transitions signals something important: Australia's tech ecosystem now offers multiple successful outcomes, giving founders more choice. In this maturing landscape, picking a capital partner whose vision and values align with the business is more important than ever. The right investor will support a tailored growth plan and a compatible culture, setting the stage for the next phase of sustainable success.



Sara Soldo
Investment Director, Five V Capital

# Australia faces an exit crunch for tech

## Hundreds of tech companies need an exit. But, who will buy them?

Australia and New Zealand face a looming exit crunch for tech companies. Two macro trends are converging: a wave of venture-backed startups approaching their exit window and an ageing cohort of bootstrapped tech founders looking to retire. Together, these forces mean hundreds of small-to-medium tech companies will soon need buyers, but the list of potential buyers is surprisingly limited.

## Driver #1: The VC-funded exit wave

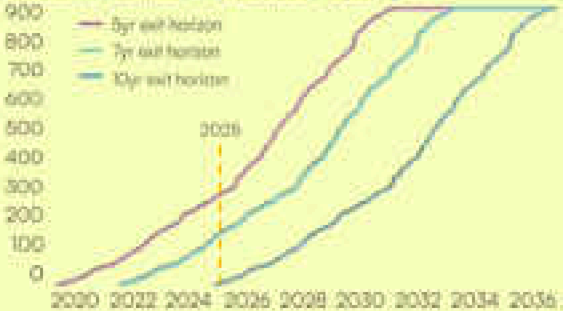
Between 150 and 300 venture-funded seed-stage software companies in Australia and New Zealand currently need an exit, with projections suggesting this number could reach 230 to 800 over the next five years.

The pressure stems from fund economics. Venture investors, especially professionally managed funds, operate under contractually agreed timeframes to deliver returns to their investors. This timeframe is typically seven to ten years, with Australia's regulated early stage venture capital funds (ESCVLPs) having a mandatory maximum existence of 15 years.

Two periods stand out as particularly significant. In 2017, there was a substantial increase in new venture funds registered as venture started to take off in Australia. If you assume a ten-year fund life, these funds need to exit their positions by 2027. Meanwhile, the 2020-2022 COVID bubble years saw readily available venture funding and high valuations, creating an exit window starting around 2027 and running through to 2032.

Many of these venture backed companies will have added complexity in achieving an exit because funding rounds between 2021-2022 were at valuations above what most acquirers will pay. This might mean founders see nothing, with investor rights taking all proceeds from an exit or it might mean investors receive cents in the dollar.

Cumulative number of companies requiring exit




## Driver #2: The retirement wave

It's not just venture-backed companies seeking exits. The most common age for small business owners in Australia is now 50 years old, according to the Australian Small Business and Family Enterprise Ombudsman, with this average age continuing to increase.

While specific data for tech companies is limited, this ageing trend appears consistent across the sector. Over the coming years, these bootstrapped founders will increasingly look for retirement or exit options.

These tech companies, usually founded over 20 years ago in prior technology cycles, often have strong customer relationships and solve critical problems for their customers. It would be a loss to see them shutdown.

## With hundreds of companies seeking exits, the critical question becomes: who will buy them?

Later-stage VCs won't fill the gap, private equity has limited appetite for smaller deals, IPOs aren't the right fit for most companies, and secondaries provide only temporary relief.

This leaves trade sales and alternative acquirers. There are a multitude of companies out there that are acquisitive or might like to make their first acquisition. From other startups, to ASX-listed tech companies through to global businesses, there are plenty of options.

Unlocking exits isn't going to be easy though. Geopolitical risk, the rise of AI, and a changed financial environment means pragmatism and difficult conversations will be needed in most cases to get deals done.

Scott Middleton
CEO and Founder, Terem Capital

# What LPs want in 2026: Diversification, Distributions, Discipline

**What do the providers of capital, otherwise known as limited partners or LPs, expect and prioritise when it comes to venture capital investments? In 2026, three themes are shaping capital allocation decisions in large superannuation funds, family offices, and among high-net-worth individuals: diversification, distributions, and discipline.**

## How LPs are positioning for 2026

There is no single answer to whether LPs are increasing, decreasing, or maintaining their venture allocations heading into 2026. We see a mix of all three.

Primary fund commitments remain the core mechanism for gaining exposure, complemented by selective co-investment activity.

Alignment with VC managers is frequently described as a key consideration, contributing to a lower appetite among LPs for sourcing and executing direct investments independently. For some, co-investment is expected to remain stable or increase, with fees remaining in focus. For overseas investing, fund-of-funds structures are also seen as a pragmatic route to accessing top-tier managers where direct entry remains challenging.

Allocation decisions are shaped by a combination of portfolio construction, liquidity dynamics, and broader institutional constraints, many of which will influence positioning beyond this year. While LPs are not a homogeneous group, venture exposure typically adjusts over time in response to developments elsewhere in the portfolio. In several cases, overweight VC positions have emerged due to a small number of investments shooting the lights out, alongside a continued lack of meaningful distributions.

Strategy and sector preferences vary by LP type and scale. Investment mandates, particularly at larger institutions, may limit exposure to smaller or highly specialised VC managers. In this context, robust operational due diligence and ESG capabilities are viewed as baseline requirements rather than differentiators. Diversification also features prominently. Managers with multiple verticals built into their funds help LPs manage portfolio risk. For small-scale family offices and individual investors sector-specific strategies such as climate tech and healthcare are more commonly utilised. We see this particularly where direct GP relationships already exist.

## Global diversification a key trend

**There is a distinct trend towards global diversification.** Global exposure to venture is increasingly viewed as a natural extension of broader portfolio construction. Given the global nature of venture markets, large, diversified portfolios are increasing their exposure to major VC hubs, most notably the United States.

That said, there is a subset of LPs that remains intentionally Australia-focused, reflecting mandate constraints or a deliberate home-market bias. It is unlikely these LPs will move away from domestic allocation, with some smaller investors choosing to maintain local exposure across vintages.

## Manager track record remains paramount

Australian venture is still a relatively young market but evidence from other regions suggests strong performers tend to remain top quartile over time. LPs are alive to this and track record sits at the top of their assessment of venture managers.

Team stability is also a priority: who the lead partners are, how long they have worked together, and which investments they have personally led or originated. This is particularly important in the Australian context, where many managers, especially from more recent vintages, have yet to demonstrate meaningful distributions.

*(continue next page)*

# What LPs want in 2026: Diversification, Distributions, Discipline (continued)

Distributions to Paid-in Capital (DPI) remains one of the most closely scrutinised and nuanced topics in Australian venture. **The lack of distributions in recent years has been a clear frustration for some LPs,** however differing views reflect a more pragmatic understanding of venture return dynamics. For some, there is acknowledgement that DPI is often backended, driven by a small number of large outcomes that naturally take longer to realise, and that extended holding periods are an inherent feature of the asset class rather than a signal of underperformance.

That said, LPs do want to see some evidence of liquidity over the life of a fund and, in certain cases, encourage managers to use secondary markets to take risk off the table where appropriate. Early DPI, even if modest, is viewed as an important signal of manager credibility, while overly early exits are treated with caution given the risk of foregoing the outsized returns that ultimately drive fund performance.

### Investors will consider first-time fund allocation

For LPs, allocating to a first-time fund isn't usually a default decision, but it is a consideration when the right foundations are in place. Different LPs point to different requirements, but VC manager **track record, built professionally or personally,** is a consistent theme. As such, there is willingness to back a first-time fund if a personal relationship exists with the GP, or if the VC managers have worked together before.

First-time managers are viewed more favourably when anchor commitments have already been secured, providing validation and confidence in the fund's ability to scale without extended fundraising. Emerging managers can also be attractive because they may be more open to LP-friendly fund terms, giving early investors greater influence over the LP Agreement.

### LPs want to see better fund size discipline, reporting and transparency

Significant capital has been raised across the market in recent years, but some LPs feel big is not always better. They say fund size should remain aligned with the depth and breadth of the underlying opportunity set, and that discipline in this regard is variable in the Australian market.

They also point out that historically, alpha is more often generated in smaller funds relative to the largest vehicles, and that maintaining discipline around fund size can support consistent deployment into attractive opportunities, particularly in the Australian market. That is a good reminder that big is not always better.

There is a desire for clearer, more consistent reporting and commentary across underlying portfolio companies, including greater comfort in sharing relevant performance metrics. LPs have observed variations in valuation marks across managers holding similar positions, reinforcing the value of transparent methodology and communication. Overall, they view high-quality, open reporting as an important foundation for long-term manager relationships.

Overall, institutional-grade LPs have high expectations of their managers. But there is nuance within those expectations. Funds sized for the available opportunity set, early DPI – even if modest, reporting consistency across the portfolio and evidence of manager track record are not the exclusive domain of large, established funds. What is crucial is the right alignment with your LPs and setting strong foundations for a long-term relationship.

Navleen Prasad
CEO,
Australian Investment Council

# Supercharging Australian VC with funds of funds

**Australia's venture capital market is at a pivotal point. The industry is maturing, expectations of professionalism are rising, and innovation is starting to reshape the structures we use to fund them. One leading innovation is the Venture Capital Fund of Funds model — widely used in more developed markets, and only now beginning to emerge in Australia.**

A VC Fund of Funds has the potential to reshape how startups get funded in Australia because it fixes the two biggest structural problems in our market: who can supply capital, and how consistently that capital shows up.

### Dramatically widen the investor base

Today, most VC fund commitments come from a narrow set of institutions and high-net-worth "wholesale" investors.

Retail investors, even sophisticated ones, are largely locked out by minimum ticket sizes, access networks, and complexity. Yet private markets are growing quickly in Australia, and regulators are actively thinking about how to support that growth safely. ASIC's 2025 capital-markets roadmap and private-markets work explicitly recognise the expansion of private capital and the need for transparent structures that broaden participation.

A retail-accessible VC Fund of Funds turns venture capital from a club product into an asset class that a diverse set of Australians can allocate to. When thousands of smaller cheques can be aggregated into institutional-scale commitments, the total pool of available capital rises.

### Make capital more reliable across cycles

Australian startup funding has seen dramatic swings: big years followed by sharp pullbacks when global sentiment turns or a few large funds pause. In 2023, total capital raised fell steeply versus 2022, showing how exposed startups are to swings in a concentrated funding market.Funding recovered in 2024, but the pattern still reflects a system dependent on a small set of decision-makers.

A VC Fund of Funds with diversified inflows (including retail) and a disciplined pacing model can keep allocating through the cycle. This model can support managers and startups when others retreat. Over time, that smooths the money supply in early-stage and growth rounds, reducing "funding winters" that force good companies to downsize or sell early.

### Enhance quality of capital reaching founders

In a small ecosystem, founders often face a choice between waiting for a preferred fund to open, or taking capital from less aligned sources. A VC Fund of Funds pools provides access to multiple high-quality managers, both established and emerging, so startups benefit from a broader, more competitive, and more specialist investor bench. That changes bargaining power in favour of founders and raises the overall standard of governance, follow-on support, and global network effects that Australian companies need to scale.

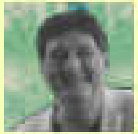
### Match where value is created

Public listings in Australia have declined sharply, and regulators are trialing reforms to revitalise IPO pathways because the old pipeline is weakening. As companies stay private longer, more of the growth (and national economic upside) happens in private markets. A VC Fund of Funds is a practical bridge that lets everyday Australians share in that value creation directly, rather than only through super funds or late public floats.

### Scale matters

Australia's VC market is growing, with forecasts pointing to sustained expansion through the next decade. A VC Fund of Funds accelerates that growth by lowering friction: one investment delivers diversified exposure across stages, sectors, vintages and geographies, plus optional co-investments and secondaries. The result is more capital, arriving more steadily, allocated more professionally, to more startups.

A VC Fund of Funds upgrades Australia's funding infrastructure, turning venture capital into a broader, deeper, and more resilient engine for innovation.




**Richard Mulligan and Anna Nedbaylova**
Co-Founders, FB Ventures

# From capital to capability: Australia's next venture cycle

**A decade ago, the central question facing our industry was existential: "Can Australia build global technology giants?"**

Today, looking at the scoreboard — from Canva, Airwallex and Employment Hero to Aconex, A Cloud Guru and Atlassian — that question has been definitively answered. According to theAustralia *Venture & Startup Report 2025* by Side Stage Ventures, Australia is now the most capital-efficient country in the world at producing unicorns, generating 1.22 unicorns for every US$1 billion invested, nearly double the rate of the US.

But the next phase of a mature ecosystem is not defined by exits alone. It is defined by what happens after liquidity.

Australia is entering the first meaningful turn of its liquidity flywheel. This is the same dynamic that helped build Silicon Valley and is now increasingly visible across Europe. When successful exits occur, they release not just capital back into the system, but capability. The founders who built the last decade's winners are not simply retiring or taking board roles. Many are returning as angel investors, fund managers and repeat founders, building second and third companies alongside the next generation.

This recycling of experience matters because while capital has become increasingly abundant, operational expertise remains scarce. Globally, only a small fraction of venture-backed companies successfully scale to meaningful global outcomes. For Australian startups, the modern "valley of death" is no longer confined to early-stage funding. It sits between product-market fit (often around $2-5 million ARR) and the operational complexity of scaling internationally. Navigating that transition requires more than a cheque. It requires lived experience.

The blueprint for this evolution is well established in more mature markets. In the United States, the PayPal alumni went on to found companies like Palantir, LinkedIn and Yammer, while also shaping the next generation of venture firms, including Founders Fund, Greylock and Craft Ventures. In Europe, this pattern is accelerating. Skype's founder and early team have since founded Atomico, Wise and operator-led VC Plural.

This shift, from access to capital towards access to capability, underpins the emergence of founder-led investment models in Australia and what drove the creation of Glitch Capital. Rather than simply increasing the volume of capital in market, these models are designed to redeploy hard-won experience into the next generation of companies.

By pooling capital from founders and operators who have already built and exited significant businesses, vehicles like Glitch seek to leverage the ecosystem's earlier successes where they matter most. For founders, this means not just financial backing, but access to people who understand the scaling journey and, in many cases, are navigating it again in parallel. When capital is supplied by those who have lived through hypergrowth, international expansion and organisational breakpoints, the investor-founder relationship shifts. It moves beyond oversight towards shared context, empathy and practical problem-solving at moments when execution determines outcomes.

Recent liquidity events are beginning to enable this dynamic at scale. Secondary sales, partial exits and strategic acquisitions have returned both capital and time to founders, allowing them to re-engage as investors, mentors and repeat founders. As more Australian companies approach liquidity over the coming cycle, particularly from 2026, this recycling effect is likely to accelerate.

The result is a compounding flywheel. Liquidity creates experienced capital; experienced capital improves founder outcomes; stronger outcomes generate more liquidity. Over time, this deepens our ecosystem's resilience, ambition and execution quality.

Australia is no longer defined by isolated success. It is entering a phase where experience compounds alongside capital and where the most valuable contribution on a cap table is not just funding, but the ability to call someone who has navigated the moment when everything breaks.

**Ryan Fitzpatrick**
Managing Partner, Glitch Capital

# Technology sets the pace for global markets

**It's hard to exaggerate the influence of technology on global market sentiment. Over the past year, the technology sector has once again been a primary driver of performance in global equities, and analysts expect a similar story in 2026.**

Investors doubled down on artificial intelligence (AI) in 2025, driving technology stocks to fresh highs and valuations to new extremes. US equities gained 17.9% as AI enthusiasm broadened beyond the Magnificent 7 US tech stocks, with communication services and information technology sectors significantly outperforming the broader market.[1]

Rising valuations in US tech also pushed investors to diversify, helping non-US markets. With the US dollar weakening, emerging markets, Japanese, European and UK equities all outperformed the S&P 500 in 2025 in dollar terms. The FTSE All World Index, which comprises 4,256 stocks across developed and emerging markets, advanced 23.1% in 2025.[2]

While investors remain confident of further growth in AI and broader technology themes in 2026, elevated valuations in the US tech sector are attracting greater scrutiny.

At a macro level, equity valuations have surged to all-time highs, as measured by EV/EBITDA multiples, despite only a modest expansion in M2 money supply.[3]

Lofty valuations are a feature of the private markets, too. After a flurry of big funding rounds, 23 private companies now command valuations that would put them in the S&P 500 index if listed on public markets.

AI investments have also become critical to global economic growth. McKinsey estimates spending on data centres will need to reach almost US$7 trillion by 2030 to keep pace with demand for AI.[4]

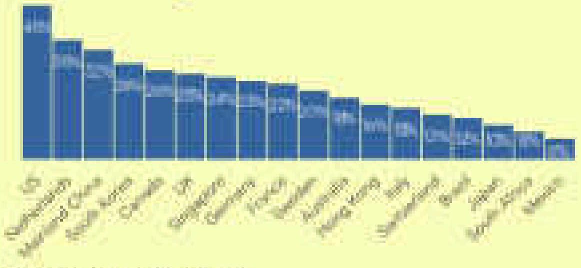
All this, of course, leaves global market sentiment highly dependent on the monetisation of AI investments, with room for disappointment if revenues fall short of projections or demand for compute power eases.

One reason for caution is that AI adoption remains highly US-centric. HSBC Global Investment Research's analysis of global earnings calls showed that 40% of listed US companies discussed practical AI use cases, well ahead of other markets.[5] Some 45% of US companies now pay subscriptions to AI models or tools, according to the Ramp AI index.[6]

Technological improvements also pose a risk, with signs that AI queries are becoming much more efficient. Any reduction in capex spending from the world's leading tech firms could have big implications across the entire AI ecosystem.

In this context, 2026 is set to be a pivotal year for technology valuations, as investors increasingly demand evidence that today's trillions of dollars of investment in AI will deliver sustainable long-term economic returns in the future.

**Percentage of companies discussing practical AI use cases on earnings calls**



Source: LSEG TRD, FTSE Russell

### 2026: A crucial year?

The first weeks of 2026 suggest that confidence in the technology story remains intact. Equity investors are still firmly focused on AI, and tech stocks have continued to perform well.

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# Technology sets the pace for global markets (continued)

HSBC Global Investment Research notes that high valuations are supported by improvements in productivity. While clear proof of the impact of AI on earnings is limited, there is evidence that revenues are rising ahead of costs. Even a moderate 1% cost saving from AI adoption could generate nearly US$130 billion across the S&P 500 and raise margins by half a percentage point.[7]

Alastair Pinder, Head Emerging Markets and Global Equity Strategist at HSBC, expects technology to remain the dominant force in equities in 2026 as AI adoption broadens.

"*We expect the AI theme to extend its strength while shifting shape,*" he said. "*Our view is that the next phase will push deeper into the downstream universe, with AI adopters, software infrastructure players, and non-US AI opportunities taking a more central role.*"

Rising AI adoption also requires businesses to focus more on their data, driving demand for a range of technology services.

Despite uncertainty around interest rates, geopolitics and the potential for other shocks, HSBC has a constructive outlook on global equities for 2026, with a preference for international markets over the US. Spending on data centres is driving a global investment cycle, and global funds are hedging their bets on the US.

As global investors increasingly look to diversify beyond the US, the tech sector in Asia Pacific is well placed to benefit from increased capital flows. This extends across the AI ecosystem, from materials and semiconductors to software and platform providers. More modest valuations in Asia Pacific and strong domestic liquidity are also drawing the attention of global investors.

### A Liquidity Window Opens

The wave of positive sentiment towards technology is also allowing startups and venture capital investors to benefit from improved access to public markets. The window for public listings reopened in early 2025, allowing many mature startups to generate liquidity for investors. In the US market, more venture-backed companies went public in the first three quarters of 2025 than in 2022-2024 combined.

The improvement in IPO liquidity extends beyond the US. Chinese tech firms are also enjoying renewed access to public markets through Hong Kong — the world's busiest IPO market in 2025 with over US$35 billion raised from more than 100 new listings.[8]

HSBC's most recent Funding the Future Survey, published in December, found that investors have a positive outlook on IPOs in 2026, with 59% of private investors and 55% of public market investors anticipating an increase in IPO activity in 2026.[9]

Investors in Asia were especially optimistic about IPO activity, with 74% expecting an increase in IPO activity in 2026. Technology is also a preferred theme, with 64% of investors reporting a bullish view.

Private markets investors will be watching liquidity conditions closely in 2026. The survey showed 76% of VC/PE investors are planning to exit one or more of their portfolio companies in the coming year — one more reason, if it were needed, why technology holds the key to overall market sentiment in the months ahead.

**Alan Watters**
Head of Innovation Banking Australia and NZ, HSBC

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[5] Global Equity 2026 Outlook, HSBC Global Investment Research, December 2025
[6] [illegible]
[7] Global Equity 2026 Outlook, HSBC Global Investment Research, December 2025
[8] [illegible]
[9] 2026: Bullish hopes vs bubble fears, HSBC Global Investment Research, December 2025

# From cradle to grave: venture capital investment and exit environment in 2025

## Global venture deal value continues its recovery

The global venture capital (VC) ecosystem experienced a healthy increase in total deal value in 2025, particularly in the US, which had a 47% increase in deal value year over year. While deal value still lags the frenzy in 2021 and 2022, driven in part by historically low interest rates, deal value has trended upwards over the past two years.

## AI the growth driver for venture capital dealmaking

The turnaround for the industry has, at least in part, been due to a rush to capitalise on the growing number of companies directly or indirectly involved in the artificial intelligence (AI) boom. AI has dominated headlines over the past few years, and VC investors have made AI the most popular investment theme in 2025, with 23% of global venture capital deal value invested in AI-related companies. In 2025, the largest VC deals in the US were AI focused, with names like OpenAI, xAI, Scale AI, Project Prometheus, and Databricks topping the charts. Australia came to the party too with Firmus and others ranking at or near the top of the largest venture deals in in 2025.

The previous venture darling, SaaS, has not disappeared, coming second to AI with 19% of total deal value in 2025, its highest percentage in the past ten years. Conversely, HealthTech, Mobile, and TMT have attracted smaller pieces of the pie over the past few years.

Has the hype around AI been justified? Certainly there will be winners and losers but the Swift AI Index has a one-year return of 21.8% at 20 January 2026 compared to the NASDAQ at 16.2% and the S&P 500 at 12.4%.1 When we examine the return of capital from exits in Australia, AI companies have averaged 15.6x MOIC. A 5x return is considered exceptional so while we are still in the early stages of assessing AI market performance, the returns have been very strong to date.

It may take some time for significant AI exits in Australia to occur. In 2025, most of the larger Australian exits came from sectors where startups have matured, including SaaS, Cleantech, HealthTech, and Agritech, indicating it may take some time before AI exits materialise in a meaningful way.

## Exits

Liquidity challenges for VC funds have been well documented. The sector has seen a significant increase in continuation and secondaries strategies as a result of the increased time to exit. EY's 2026 Global Alternative Fund Survey (EY GAFS) showed 44% of institutional investors plan to increase allocations to secondaries, taking advantage of a market in which funds are under pressure to return capital to investors while investment exit timelines are trending longer.

EY GAFS also showed the slow exit market has moderately to significantly impacted 76% of institutional investors, with a quarter of these investors pivoting to the secondaries market and an additional quarter reducing investment in the next vintage or not allocating further investment at all.

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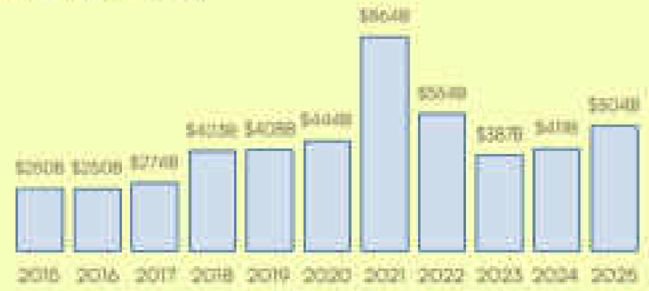
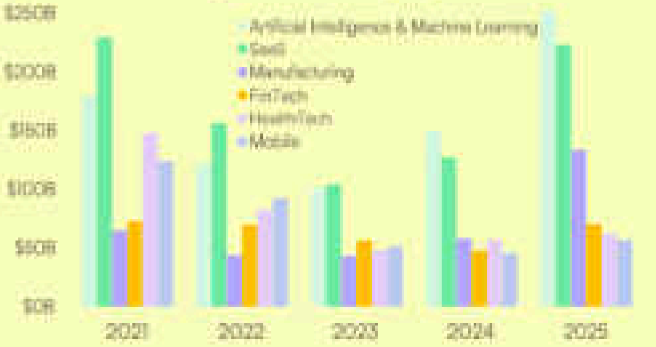
Global Deal Value (USD)




Top Investment Themes by Global Deal Value (USD)




Note: All data and charts are sourced from PitchBook Data, Inc., other than specific references to EY GFS. Data has not been reviewed by PitchBook analysts.

# From cradle to grave: venture capital investment and exit environment in 2025 (continued)

The exit data supports the shift to secondaries. Global exit value decreased for three consecutive years from 2021 to 2024. Comparatively, 2025 was a year of recovery for exits in the VC space. Global exit value increased 63%, and trailed behind only 2020 and 2021 over the past ten years for highest annual exit value.

In the US, exit value recovered with a 91% increase from 2024. The results in Australia were more modest but nonetheless encouraging, with exit values increasing 40% year over year.

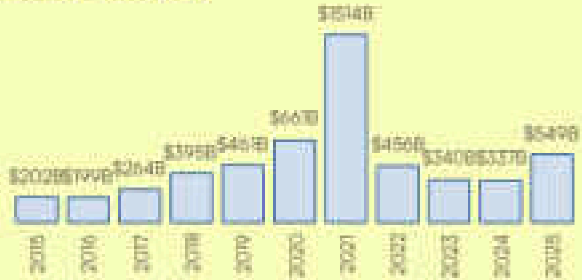
Globally and in the US, M&A has been far and away the most common exit strategy, accounting for approximately 70% and 74% of exits, respectively, over the past ten years, while public listings account for 14% and 6% of exits, respectively. In contrast, Australia has a significantly higher preference for IPOs, with 41% of exits going through the public markets.

IPO markets have been challenging recently and this has had a major impact on Australia given its historical reliance on public listings. IPO exit value as a percentage of total exits decreased each year since 2021, when a whopping 62% of exits were facilitated through IPOs. In 2025 that percentage was just 37%, which is still a significantly higher proportion compared to much of the world. These potential IPO candidates have instead exited primarily through M&As, which account for over 60% of exits across 2024 and 2025.

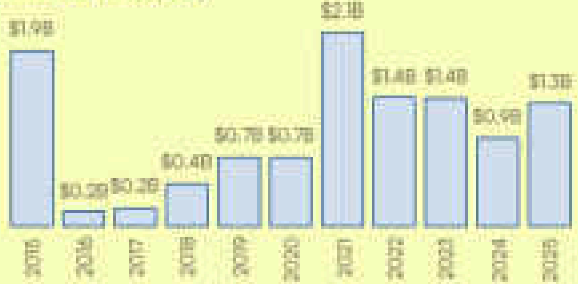
While there is optimism for IPO activity in 2026, private market exits continue to trend upwards in Australia. There is strong demand from growth capital funds and secondaries markets are rising, while super funds continue to increase allocations to private markets, giving companies access to the largest pool of capital in Australia.

Jared Connor
Partner,
Financial Services,
Ernst & Young, Australia

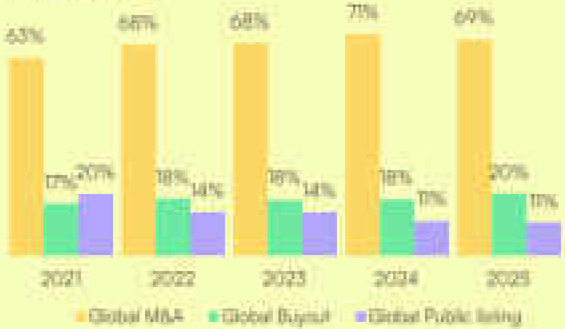
Global Exit Value (USD)



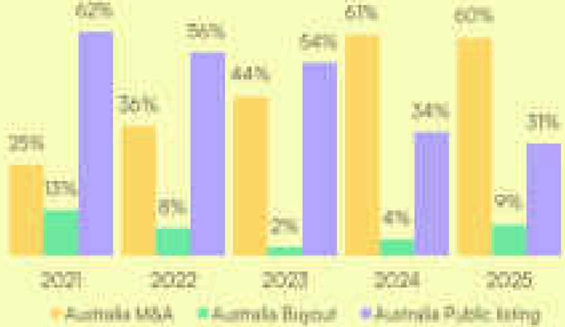

Australia Exit Value (USD)




Global Exit Types




Australia Exit Types

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# ASX capital markets: Quiet 2025, but conditions point to a positive 2026

### 2025 was another quiet year for ASX technology IPO activity

Calendar year 2025 has passed and the only two technology IPOs on the ASX were online care retailer Carma, raising $100 million at a valuation of $370 million, and software implementation provider StepChange Holdings, raising $14.7 million at a post-money of $32 million.

### ...But secondary raises were very active for tech companies

Despite limited activity on the IPO front, a number of significant equity raises still occurred on the ASX this past year for technology companies. Megaport, Silex Systems, BlueBet Holdings, Smart Parking, Findi, and Vection Technologies all executed $20 million-plus placements, with the number of these raises being up 40% compared to last year. In fact, there were 56 total capital raises by Information Technology companies in 2025, totalling ~$950 million raised.

The rationale for these larger institutional placements varied, but much of this funding was for acquisitions (Megaport acquiring Latitude.sh, BlueBet acquiring an interest in PointsBet, Smart Parking acquiring Peak Parking, Vection acquiring DXLabs). The use of funds has been aggregated in the chart alongside.

The fact that nearly 95% of institutional placement capital raised was earmarked for organic or inorganic growth suggests that investor appetite is still there for credible growth, even if selective. Institutions were willing to fund "known quantities" already on the boards because they can underwrite a track record, audited disclosure and ongoing liquidity – so follow-on placements can clear at scale even when IPOs remain harder to execute.

It also points to a market that is backing deliberate value creation rather than "survival equity". When proceeds skew toward growth capex and M&A (and only a small portion to pure balance-sheet support), it implies investors believe these businesses can deploy capital and deliver returns through market expansion, capability building or consolidation. That dynamic usually widens dispersion: stronger platforms become better funded and can buy or out-invest competitors, while businesses without scale, liquidity or a clear catalyst find it harder to access meaningful capital despite the headline strength in the broader market.

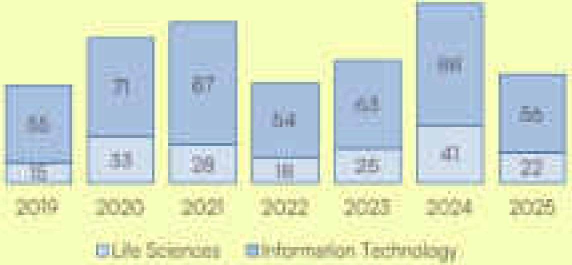
**Uses of Funds – $20m+ institutional placements (2025)**


### ASX-listed Life Sciences performed poorly overall

The fall in the number and quantum of Life Sciences raises in 2025 vs 2024 was unsurprising given the performance of the sector. Healthcare overall suffered on the ASX – down over 20% for the year – as large caps and small caps alike were hit by market volatility triggered by events such as Trump-induced US tariffs.

Despite this, several notable placements were still executed. These included Clarity Pharmaceuticals raising $203m, Imugene raising $56m, Radiopharm Theranostics raising $39m, Alterity Therapeutics raising $36m and Arovella Therapeutics raising $27m.

**Count of Equity Raises on the ASX**

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# ASX capital markets: Quiet 2025, but conditions point to a positive 2026 (continued)

### Valuations are compelling for scaled companies

There are vastly different valuation multiples being achieved on the ASX by businesses that have compounded and achieved scale, vs those that haven't executed effectively. For SaaS companies split by size above/below a market capitalisation of $1 billion, larger businesses trade at a median revenue multiple of 18x, compared to 4x for their smaller counterparts.

The table below shows however, that investors still place importance on growth in SaaS companies, with growth being favoured ahead of profitability for those groups currently unable to achieve both. Median EV/Revenue multiple of 6x for high-growth/pre-profit companies, compared to 4.2x EV/Revenue multiples for their low-growth/profitable peers – a significant 42% premium.

EV / Revenue multiples by Growth and Profitability (SaaS only)


### IPO activity for technology companies has been quiet for a while

Many would have expected ASX IPO activity to have recommenced more quickly (after the 2023 slowdown) than it has. The US markets – while selective – have demonstrated that appetite remains for high-quality and scaled technology companies.

Instead, we are searching for early signs that the local window will re-open. It appears public market investors and technology company Boards are looking for the evidence that the timing is right – which appears to be building.

### Valuation support Post-IPO

Despite this dearth of recent IPO activity, a few of the more recent technology IPOs have experienced material real valuation uplift in 2025. Cuscal (IPO in Nov-24) and Acusensus (Jan-23) have both seen strong share price performance over the past 12 months, up 49% and 81% respectively, as investors reward their ability to continue growing high-quality SaaS revenue streams. On the other hand, the much-discussed recent VC-backed IPO Guzman Y Gomez started 2025 at a share price of $40 and ended almost 50% down from that marker, as growth has not been as straightforward as the valuation multiples 12 months ago may have led you to believe.

### Compelling valuations and specific sector support

Valuation gaps still exist and the strongest demand is reserved for top-tier businesses with scale, liquidity and a proven ability to compound. As such, the market pays materially higher multiples for companies with durable growth, visible earnings and consistent execution. Pro Medicus and WiseTech are great examples of how the ASX is able to support scaled companies that have clear execution track record with premium revenue multiples, being approx. 110x and 20x respectively.

The ASX also remains an attractive source of capital for companies in "hot sectors", especially where public market investors are struggling to otherwise gain sector exposure.

All this suggest that the current recipe for strong IPO candidacy seems to be a combination of the following ingredients:

- Priced at reasonable multiples, with scope for upside
- Be involved in a hot sector (i.e. AI, data centres)
- Companies that have achieved significant scale

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# ASX capital markets: Quiet 2025, but conditions point to a positive 2026 (continued)

### Will 2026 be the year that sees the IPO window open?

If you want the quickest read on what might actually make it to market, look for the names already moving with a listing in mind. Sharon AI is right up the front: it's positioned around high-performance computing for AI, meaning the specialist compute and supporting infrastructure that powers large AI workloads, and it's flagged a Q1 2026 ASX IPO. It has a very clear "AI compute capacity" narrative.

Firmus Technologies sits in a similar lane, focused on AI and data centre infrastructure, with public commentary pointing to an early 2026 window. A little further out, NEO (via Viridis Green Data Centres) is pitching digital infrastructure and edge data centres, being smaller facilities closer to where data is generated and used, with timing discussed as Q4 2026 or early 2027.

It's pretty clear why AI is the theme that keeps showing up. Local public market investors have watched a lot of AI value creation happen offshore, and there are limited pure-play ways to get meaningful exposure on the ASX. So it's no surprise to see IPO interest clustering around areas where investors are actively trying to build exposure, particularly the enabling layer such as compute and data centres, where the link to AI demand is easy to understand.

The AI bucket here is therefore fairly tight, and mostly physical. It's also worth noting what's not in this section. There aren't many "pure AI software" names that have publicly indicated ASX IPO intentions in the near-term. Right now, the public pipeline reads more like "build the plumbing" than "sell the apps".

Every cycle also has a couple of names that stay IPO-adjacent for years, which is inevitable as businesses keep their options open. Finder.com.au is the obvious example: a fintech and comparison business with IPO talk going back to 2019 that has been reiterating its 2026–2027 IPO ambitions. CarExpert has had a similar dynamic. It previously talked to a 2024–2025 listing path, but more recent updates focus on international growth into 2026 and beyond, without actually putting an IPO date on the calendar.

Rokt probably belongs in this long-running conversation bucket too. It's a larger, globally oriented marketing software and e-commerce optimisation business, and the talk has centred on the possibility of a dual US and ASX listing in 2026, and remains one to track.

Notwithstanding the global geopolitical backdrop, global equity markets continue to breach high-water marks and with growing local momentum, it looks like the ASX may see some growing activity through 2026.

**Paul Tontodonati**
Founder and Director,
Platform Advisory Partners

**Sam Karamoshos**
Associate,
Platform Advisory Partners

Note: All data and charts are sourced from PitchBook Data, Inc. Data has not been reviewed by PitchBook analysts.

# Australian Tech M&A: 2025 resilient through challenges, however 2026 will have a different cadence

**Despite 'Trumponomics' playing havoc in the first half of 2025, M&A activity held up better than expected and somewhat in line with recent prior years.**

At the start of 2025, there was resounding confidence that with Trump in office, pro-business sentiment would filter through globally. That came crashing down in April as the US announced country-based reciprocal tariffs. If there is one thing M&A markets dislike its volatility, so with tariff rates changing at times daily, a lot of groups hit the pause button on acquisitions and re-assessed. The flow on meant a slower start to dealmaking, but as Trump returned to playing more golf and a new normal was established, M&A deal count for 2025 was only 10% less than 2024. This is actually in line with what we are seeing globally, with 2025 US deal count seeing an 11% decline compared to 2024.

Deal size has returned to more historic levels, with the median in line with 2021-2023 as buyers increasingly look for bolt-on acquisition rather than transformative M&A, with "fit" trumping "scale" on degree of importance, which favours mid-market transactions as opposed to mega deals in the Australian landscape. Additionally, AI capability has continued to be an imperative for legacy software groups. Notable M&A tech transaction for 2025 include:

- Airtrunk acquired by Blackstone for $24bn
- Domain being acquired by Costar for $3bn
- Weir Group's acquisition of Micromine for US$1.3bn

Australia continues to be a happy hunting ground for offshore acquirers, who were involved in 49% of 2025 deal flow, down slightly from 2024 (51%) but well above historic averages of 42%. This has been demonstrable not only by the number of inbound enquiries we get from offshore parties looking to participate in Australian deal flow but also by the proliferation of offshore buy-out funds that now look to call Australia home.

**(Offshore) private equity stepping up to the plate**

As valuations remain in the good-to-fair range, buy-out and private equity funds continue to deploy capital at pace to take advantage of current market conditions. In fact, private equity were involved in 38% of all tech M&A deal flow via either new platform investments or bolt-on acquisitions. This is quite staggering as we would expect to see private equity account for only 16-20% of all deal flow. Interestingly, the bolt-on trend was a strong instigator (71% of all private equity investments), with the likes of EQT consummating up to 4 acquisitions within 2025 for just one of their platform assets alone!

The fervent pace is likely dictated not only by the rinse and repeat muscle memory some Private Equity houses have developed to successfully integrate rolling acquisitions but also the looming M&A regulatory change that is coming into effect in 2026 (more on this later). The other notable point is that offshore groups have stepped up in a big way – 59% of all Private Equity deals were completed by offshore funds. This continues to prove out that there are world class tech businesses based in Australia that continue to attract top echelon equity partners. No doubt the AU-US valuation arbitrage provides an attractive incentive, especially where companies have global revenue, but nonetheless we expect the offshore trend to continue.

**With a number of competing forces, 2026 will be a difficult year to predict for M&A**

In the first time in a long while, a number of converging yet disparate factors will play a big part in how 2026 pans out for Australian tech M&A.

From a macro perspective, Australia is an outlier compared to other developed nations. Persistent inflation, driven by lower peak interest rates during the tightening cycle and excessive government spending has Australia potentially increasing rates where every other OECD economy is eyeing off decreases. This will introduce a degree of cautiousness into the start of 2026 for domestic acquirers but may have no impact on globally focused businesses.

The other major change is the ACCC regulatory shift from a voluntary clearance to a mandatory suspension regime. With the ACCC looking to have closer oversight over M&A transactions, it means that a large proportion of deals will require regulatory approval to proceed, potentially even affecting companies with only $10m in revenue.

(continue next page)

Note: All data and charts are sourced from PitchBook Data, Inc. Data has not been reviewed by PitchBook analysts.

# Australian Tech M&A: 2025 resilient through challenges, however 2026 will have a different cadence (continued)

This is problematic for a number of reasons:

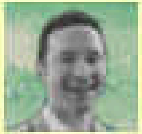
- Application for approval can only occur once the deal is substantively complete. Whilst the ACCC has stated that they are well resourced for the change, the general consensus is that initial teething issues may see delays of up to 3 to 4 months, which adds a significant amount of backend deal time
- The cost to apply is not unsubstantial, creating a cost barrier for smaller transactions
- High level transaction details, including any ACCC decision will be made available via a public register, which will make stealth deals nigh impossible for acquisition that are captured under the regime

We expect this to put a dampener on Q1 activity until regime wrinkles and delays are ironed out.

However, the one tailwind that will have the biggest impact on M&A within tech will be AI. With the rapid improvements we are seeing across LLMs and derivative platforms, we can expect more pressure on groups to contemplate a transaction sooner rather than later before tech sub-segments of the market are completely disrupted and rendered redundant.

Corporates are being forced to make acquisitions given the shortening development cycles that will skew buy over build to keep up, as emerging tech reaches terminal velocity in quicker speeds than ever (Manus AI recently announced that it had crossed US$100M in ARR, eight months after launch!) This seems to be supported by a recent PWC survey that the cost of inaction is far greater — 40% of CEOs say their companies won't survive the next decade if they don't chart a new path.

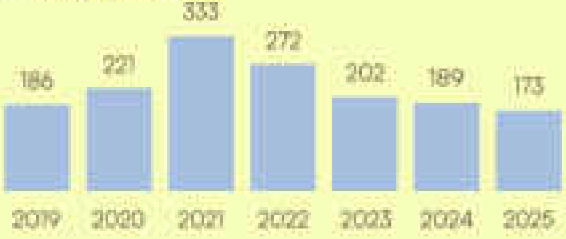
Additionally, the use of AI within the M&A process, from deal analysis and due diligence to post deal integration, will change the speed at which transactions can be completed. With all this in mind, we remain buoyant that 2026 will continue to see the crossing of the old guard to the new, with a lot of "AI armour" for good measure.



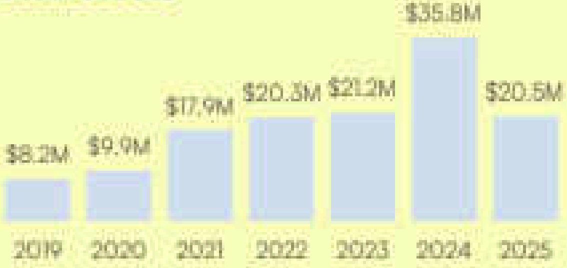
**Thomas Petrakos**
Founder and Director,
Platform Advisory Partners

**Jerry Zheng**
Associate,
Platform Advisory Partners

**Technology M&A Deals**




**Median Deal Size**




Note: All data and charts are sourced from PitchBook Data, Inc. Data has not been reviewed by PitchBook analysts.

# Liquidity as a catalyst for purpose

**The ins and outs of liquidity in the Australian startup ecosystem have been much analysed. Are IPOs out of reach for most? Is the ASX a dud or a dead cert? Where's the buy-side capital coming from to grease the secondary market's wheels?**

However, the personal experience of founders and early employees having a life-altering amount of money drop overnight is rarely discussed. In our work with successful tech founders as they start or scale their personal giving, we observe them feeling relief, deep accomplishment, and often profound discomfort simultaneously.

A liquidity event sometimes signals a shift in a founder's working life and a step back from an all-encompassing executive role. For purpose-driven founders, not building leaves a yawning gap. And while they now enjoy financial security, their siblings and friends, many of whom work just as hard, have not received the same monetary compensation for their efforts.

This combination of generating wealth relatively quickly and at a young age, having more time to consider other life goals, and a feeling of unease about their relative wealth is leading more successful startup founders to give back to their ecosystem and community in considered, meaningful ways. In our survey of the Australian tech sector on its attitudes to personal giving, a significant liquidity event overwhelmingly catalysed the beginning of proactive philanthropic giving.

Among respondents who had experienced a liquidity event, 36.7% had donated some of the proceeds to charity, and 33.3% hadn't yet donated but intended to do so. Only 10% had no intention of donating. On average, respondents who had donated some of the proceeds of their liquidity donated 22.2%, and those who had not yet donated intended to donate 17.5% of the proceeds. Of those who still held equity in their company, 44.2% had intentions to donate some of the proceeds to charity.

## Untapped potential

The 12-year cycle of 2014's fundraising boom is primed to yield more liquidity in 2026. Should Canva also IPO this year, VC funds, early Canva employees, and many current Canvanauts will receive substantial paydays, and the entire ecosystem will reverberate from its impact.

Over the last six years, tech founders' contribution to major philanthropy has grown from 1% to 21% of total grants made by Australia's top 50 givers. As well as boosting funding and innovation, liquidity in 2026 could expand the ranks of a new generation of tech givers in this country. If current trends continue, the entrepreneurial style of giving favoured by tech founders could also shift philanthropy's power dynamics. By backing people and teams over projects, providing multi-year grants, and favouring impact rather than personal recognition, tech givers could drive a wave of social and environmental change that benefits the entire community.

Considering how this wealth might translate to charitable giving, only one tech giver (Steve Kilelea's The Charitable Foundation) was featured on the 2018/2019 Philanthropy 50 List (Coates, 2020); this has increased to five in the 2023/2024 list (AFR, 2025).

**Tech in AFR Philanthropy 50**


Furthermore, grants from these five tech givers alone (Yajilarra Trust, Susan McKinnon Foundation, Mel Perkins and Cliff Obrecht via the Canva Foundation, Boundless Earth, and the 4am and Wedgetail Foundations) account for 20.9% of giving from the top 50 philanthropists in the country.

Antonia Ruffell
CEO, StartGiving

03

# The State of the Gender Equity Gap

# Five things to know

## 1

### A sharp rebound in capital share masked a lack of broad-based progress across women-led startup funding. Concentrated wins, not broad participation, explains the headline recovery.

Startups with at least one female founder captured 24% of total capital in 2025: a sharp rebound from 15% in 2024 and the strongest result since 2019. This headline improvement did not reflect broader participation across the ecosystem. Deal share moved in the opposite direction, easing to 24% after reaching an all-time high of 26% last year. The divergence shows capital gains flowed through a small number of large rounds rather than an increase in the number of funded teams. A limited group of female and mixed-gender teams accounted for most capital raised by women-led startups. As a result, many founders experienced little change on the ground despite stronger aggregate outcomes. The data points to concentration, not systemic shift.

## 2

### All-female teams remain marginal in both deal participation and capital outcomes.

All-female founding teams were represented in 8% of deals and just 2% of total capital in 2025. Those proportions have remained persistently low despite sustained attention on gender equity. Early-stage participation has not translated into broad success in large rounds that drive capital share. Structural barriers continue to limit progression into later-stage funding.

## 3

### Early-stage gains fade quickly as funding rounds mature across stages despite improved entry.

Female and mixed-gender teams appear most frequently at the Pre-Seed and Seed stages. Their presence drops sharply at Series A and Series B+ rounds. Median deal sizes are consistently lower for female-only, and smaller early rounds slow hiring, delay milestones, and weaken later fundraising narratives – causing the impact to compound over time.

## 4

### Capital concentrated heavily among a small number of breakout companies.

The top five female-founded startups captured 79% of all capital raised by female-founded teams. The remaining 87 startups shared just $257 million. This concentration explains why the headline capital count improved while most founders experienced little change. Broad equity progress requires more teams reaching medium and large-scale rounds.

## 5

### Founder sentiment deteriorated despite stronger headline investment outcomes.

A widening gap has emerged between capital statistics and lived fundraising experience.

Only 18% of surveyed female founders felt supported by their investors, and just 27% felt supported by the wider ecosystem. Female founders were significantly more likely than male founders to believe gender affected their ability to raise capital.

# A capital rebound, not yet a broad shift

**Startups with at least one female founder captured 24% of total capital invested into Australian startups in 2025. This was a sharp rebound from 15% in 2024 and the strongest result since 2019. Deal participation moved the other way, easing to 24% after hitting an all-time high of 28% last year.**

This divergence highlights that the improvement came via some large cheques, not through a broader increase in the number of funded teams. A small number of female and mixed-gender-led teams accounted for the vast share of the capital raised by women-led teams.

All-female teams still represented 8% of deals and only 2% of capital in 2025. This reinforces the same structural challenge the data has shown for years, both in Australia and overseas. Funding of women entrepreneurs in earlier rounds is not translating to widespread participation in the mega deals that drive capital share.

## Total capital invested in female-founded startup

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| at least one female | 20% | 20% | 10% | 18% | 15% | 24% |
| all female | 3% | 2% | 2% | 3% | 4% | 2% |

## Deals that included a female-founded startup

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| at least one female | 22% | 19% | 21% | 25% | 28% | 24% |
| all female | 9% | 7% | 8% | 12% | 10% | 8% |

# Building global businesses: Why Australia can't afford to leave half the population behind

**Australia has an innovation problem. We're convinced we're leading innovation, and in some ways, we are with some incredible global examples. We rank 16th globally for education and institutions but 27th for commercial outputs. We're great at building capability but struggle to turn research and talent into patents, high-tech exports, and global brands.**

The numbers are stark: Australia dropped from 13th to 18th in global competitiveness, ranking 68th out of 69 economies for entrepreneurship. Our GDP per capita ranking fell from 20th to 60th. Meanwhile, our exports remain stuck on commodities with an Economic Complexity Index of 105.

Here's what makes this worse: women founded startups in Australia hit an all-time low of 0.5% of private capital this year (average globally is 2-3% ongoing).

This despite women participating in over 40% of early stage deals. At Series B and beyond, women founders capture less than 2% of funding. The needle isn't moving.

If Australia wants to compete globally, we need everyone in the game.

The 2022 Deloitte Access Economics report showed what happens when you back women founders properly. Participants were 40% more likely to access international markets, raised four times more capital, and grew revenue nearly four times faster.

March Collective is working on these challenges. We work with women founders building international businesses, providing support with growth strategy, international expansion, and capital raising.

Take Humble Bee Bio, a biotech developing bioactive peptides for cosmetics. We're working with them on everything from governance structures to capital raising strategies. We're supporting software founders entering new markets, healthcare tech entrepreneurs navigating regulatory complexities, and optimising P&L growth.

In 2025, we took founders to New York for investor meetings, customer conversations and market validation. We helped biotechs, software companies, and consumer product IP get traction. We sat in board meetings, worked through finances, and helped founders navigate the growth phase in new formats. In 2025, we tested intimate settings where founders actually do business together. The feedback was clear: these sessions were "the best use of my time."

In 2026, we're making this systematic. We're not running another event series or selling inspiration, we're creating a fundamental market shift: instead of monetising connections and inspiration like traditional founder networks, March Collective will create a shared economy between members and the commercial outcomes our collective network delivers.

The stagnant funding numbers won't shift through awareness campaigns alone. We need women founders with serious ambition making significant progress.

When confidence returns to the private capital market and more capital is available to women, our founders will be ready with demonstrated traction.

When women founders succeed at scale, they don't just create jobs and economic value. They become advisors, investors, and proof points for the next generation. They put capital back into the ecosystem. The impact cascades.

Australia needs all entrepreneurs succeeding at global scale, not just half the population. We're dead set on making that happen.

**Nicole Cook**
Managing Partner, March Collective

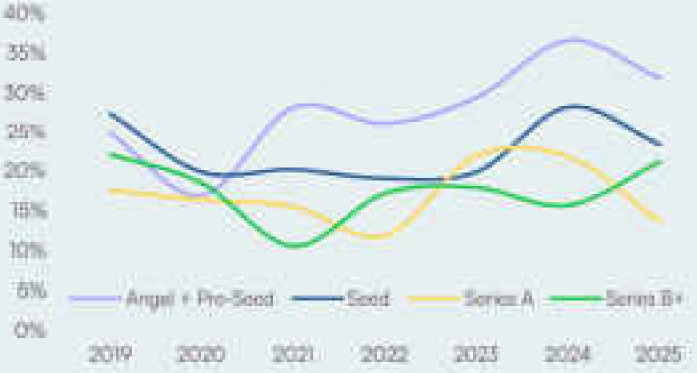
# Early participation is not translating into broad late-stage progression

**Outcomes across funding stages in 2025 were similar to those in recent years. Female and mixed-gender founder teams were most common at the Pre-Seed and Seed stages, then their presence thins out as rounds mature. At early stages, the ecosystem looks relatively healthy because it runs on smaller cheques. Many investors can support promising teams at Seed, and accelerators, angels, and early-stage funds create multiple entry points.**

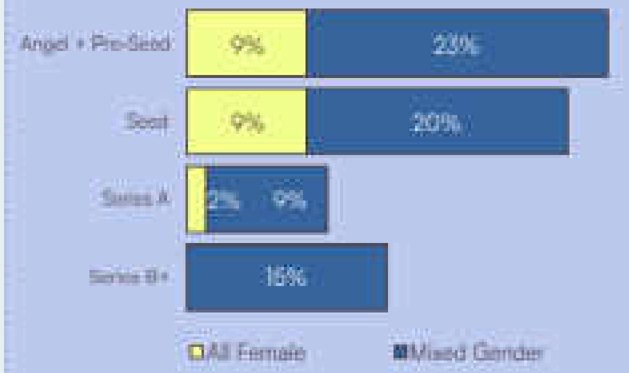
While participation at early stages has improved in recent years, female-led teams raise far less than their male counterparts on average at every stage. This creates a challenge because smaller early rounds compound: teams hire more slowly, take fewer bets, take longer to hit milestones, and can end up fundraising before the story is strong enough for later-stage investors.

The leverage lies in getting more female and mixed-gender teams to a clean Series A narrative. To achieve this, it requires ensuring they can access the capital they require to meet the hurdle rates set by potential investors at the next round, and not be handicapped from the outset.

## Deal share by teams with at least one female founder




## Deal share by stage




## Median deal size by gender

| | Male only | Mixed gender | Female only |
|---|---|---|---|
| 2025 | $3.5M | $2.2M | $500K |
| 2024 | $2.6M | $1.3M | $813K |
| 2023 | $3.0M | $1.8M | $540K |
| 2022 | $4.0M | $2.5M | $1.2M |
| 2021 | $3.6M | $2.4M | $1.2M |

# Australia must build the data infrastructure for equitable funding

**For years, Australia has focused on a single headline number on women and startup funding: how little capital reaches them at the end of the process. We talk about the gap, debate the causes, and roll out well-intentioned programs — yet the outcomes remain stubbornly unchanged. That should tell us something important: the problem isn't a lack of effort. It's a lack of visibility.**

Right now, Australia only measures who gets funded. We don't measure who applies, who gets a first meeting, who progresses to diligence, or where — and why — founders fall out of the pipeline. We also don't systematically track the diversity of the decision-makers shaping those outcomes. Without that insight, we're trying to fix a complex system with partial information. In other words, we're flying blind.

## Data is foundational infrastructure

What gets measured gets changed. When diversity data is invisible, bias — often unintentional — goes unchallenged, capital allocation remains opaque, and resources continue to flow to the best-connected rather than the best ideas. This isn't just a gender equity issue. It's a capital efficiency problem and a productivity challenge for Australia's innovation economy. Diversity isn't a social nice-to-have — it's an economic multiplier.

This is the gap Equity Clear exists to address. Through *Show Us the Data*, we are convening the ecosystem to co-create Australia's first Common Data Standard for investor diversity reporting — covering both founder and funder diversity, and applied across the investment pipeline. The aim is simple but ambitious: to move from anecdote to evidence, and to build the data infrastructure needed to drive real, measurable change.

## Global momentum, local leadership

Globally, momentum is building. In the UK, the Investing in Women Code has shown what's possible when investors commit to tracking and reporting pipeline data on an aggregated, anonymised basis. In parts of the US, diversity reporting is becoming mandatory, supported by coalitions working to standardise definitions and methodologies. These efforts reinforce a simple truth: when the data becomes visible, behaviour changes — and outcomes follow.

Australia now has a rare opportunity to shape its own approach, informed by global best practice but grounded in local context. *Show Us the Data* has been deliberately designed as a collaborative, ecosystem-led process. In the final months of 2025, Equity Clear conducted a nationwide roadshow across Sydney, Melbourne, Brisbane, Adelaide and Perth, bringing together investors, accelerators, policymakers and ecosystem leaders. Every state government where the roadshow was held participated and provided support. That matters. It signals that this isn't a niche issue or a side conversation — it's a shared national challenge with real economic consequences.

## The ecosystem is ready

Across these consultations, we focused on practical questions: what data is already being collected, what makes reporting hard, where the risks sit, and what safeguards are needed to build trust. A clear pattern emerged. Many organisations are already collecting some form of diversity data, but in inconsistent ways that limit its usefulness. There is strong appetite for a simple, standardised framework — something practical, proportionate, and aligned across the pipeline.

Building a Common Data Standard for investor diversity reporting won't solve everything overnight. But by enabling us to diagnose the system — rather than continuing to "fix women" to fit a system that was never designed for them — it creates the foundation that makes all other solutions possible. Australia now has the chance to lead not just in talking about equity, but in building the infrastructure to deliver it. Because the real risk for investors isn't backing difference — it's never seeing it.

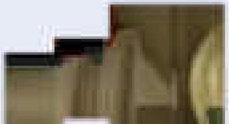
Noga Edelstein
Lead, Equity Clear

# Mixed-gender teams doubled capital share from 2024 to 2025

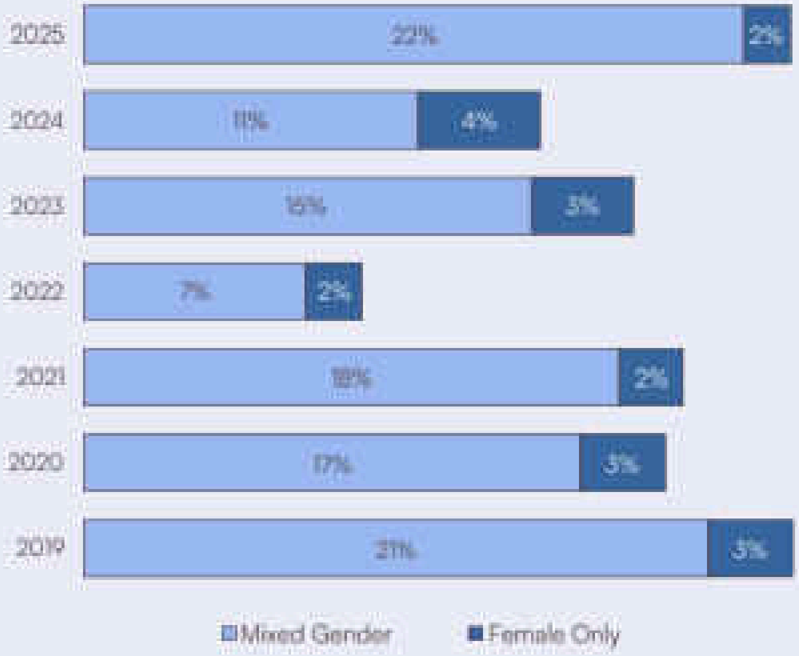
**The 2025 capital rebound flowed primarily through mixed-gender founding teams. Mixed-gender teams reached 22% of total capital, up from 11% in 2024. Over the same period, all-female teams sat at 2% in 2025, down from 4% in 2024.**

The publishers of this report do not believe success should be defined by increasing the capital share of single-gender teams, whether male or female, since research shows that diverse founding and leadership teams tend to perform better. That said, while accurate benchmarking of attempted fundraising by all-female teams is still not available, it seems improbable that the uninhibited share for all-female teams should be 2% or even 5% of capital flows.

Until more all-female teams break through into larger rounds, the capital share will keep swinging year to year based on a small number of outcomes rather than broad-based momentum.



Share of total capital raised by female founders



# Breakout rounds mask a thin long tail

**Funding to female-founded startups again concentrated heavily at the top.**

This concentration explains why improving capital share statistics can improve, while most teams feel little change on the ground. It also reinforces a practical point for the ecosystem: improving equity requires more teams to reach medium- and large-scale rounds, not just a handful of standout outcomes.

## Split of capital between leaders and the rest


## Top 5 Female Founded Startups

| 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| $1.3B | $286M | $310M | $336M | $942M |

## All Other Female Founded Startups

| 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| $671 | $387M | $338M | $288M | $257M |

| Startup | Sector | Round Size | Stage |
|---|---|---|---|
| Airwallex | Fintech | $498M | Series G |
| Airwallex | Fintech | $232M | Series F |
| Pano AI | Climate Tech / Cleantech | $68M | Series B |
| Octopus Deploy | Devtech / Developer Tools | $46M | Series B |
| Skutopia | Transport / Logistics / Supply | $38M | Unknown |
| AMSL Aero | Space / Aviation / Defence | $30M | Series B |
| SwarmFarm Robotics | Hardware / Robotics / IoT | $30M | Series B |
| Brooki Bakehouse | Food / Beverage | $25M | Unknown |
| Andromeda Robotics | Hardware / Robotics / IoT | $23M | Series A |
| The Memo | Ecommerce / Retail | $20M | Unknown |
| Ulluu | Climate Tech / Cleantech | $16M | Series A |
| CloudTech | Block / Crypto / Web3 | $14M | Series A |
| FairSupply | Transport / Logistics / Supply | $12M | Series B |
| upcover | Fintech | $11M | Series A |
| Australis Scientific | Biotech / Medtech | $9M | Unknown |
| Syenta | Hardware / Robotics / IoT | $9M | Pre-Series A |
| Human Health | Healthtech | $9M | Unknown |
| RISE Chain | Block / Crypto / Web3 | $8M | Unknown |
| MCi Carbon | Climate Tech / Cleantech | $8M | Strategic Investment |
| Harvest B | Food / Beverage | $6M | Pre-Series A |

# While capital share improved, sentiment worsened

**On headline metrics, outcomes for Australian female founders improved relative to their US peers. Female-only and mixed-gender teams captured 24% of capital in Australia compared with 22% in the United States. Australia also showed a higher deal share at 24% compared with 14% in the United States on the same measure.**

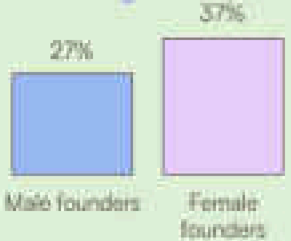
Founder sentiment told a tougher story. Female founders reported weaker support across multiple dimensions: only 18% said they felt supported by their investors, and only 27% said they felt supported by the wider ecosystem. Female founders were also more likely than male founders to believe gender impacted their ability to raise. These results point to a widening gap between macro progress in dollars and day-to-day confidence in the fundraising process.

### Deals involving female-only and mixed gendered founding teams


### Total capital to female-only and mixed gendered founding teams

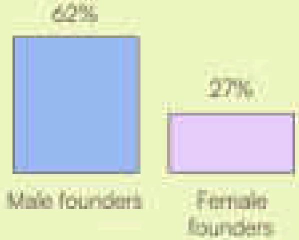

Note: US data sourced from Crunchbase

### Founder insights



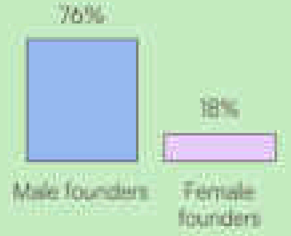

Believe their gender has impacted their ability to raise

(vs Males 20% / Female 59% in 2024)



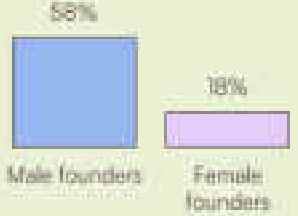

Feel supported by the wider Australian entrepreneurship community and startup ecosystem

(vs Males 45% / Female 58% in 2024)




Felt supported by their investors and could rely on them for more than just capital

(vs Males 86% / Female 48% in 2024)




Believe there are many funding options available for Australian startups

(vs Males 33% / Female 27% in 2024)

# Women founders' GASP makes them a better bet

**I like making money, so I invest in companies with at least one woman in the leadership team. The more diversity the better, because the most gender-diverse teams are 39% more likely to financially outperform than non-gender diverse teams. Who wouldn't take that bet?**

Most Australian startup and scaleup investors, as you can see from the stats.

They continue to invest in all-male teams at staggering rates, apparently in denial of these odds.

Aside from defying logic, it rubs salt in the wound of the significant disadvantage women founders face in their personal finances; it takes women eight times longer to save the same bootstrapping capital versus men.

How so? Well, it's not your income that matters for saving. It's how much you have left over after covering living costs. The gap between income and expenses is known as available savings. In Australia on average, men have $292 available savings per week versus $36 per week for women.
I call this the Gender Available Savings Penalty and you may well GASP when you realise the potential flow-on effects.

It could make our tolerance for financial risk lower, for example. Not because we're naturally risk averse, but because it takes us much longer to recover from setbacks. Personally, I don't think this is a bad thing. A more fiscally responsible founder is probably less stressful to work with than a reckless spender.

Despite the GASP, I'm yet to find a matched funding discount of 87.5% for women or gender-diverse founders on a grant program in this country. While some VCs will seek to correct ownership imbalance through their term sheets including at the VC's cost, I'd be astonished to learn any multiplied a woman founder's share enough to compensate for the GASP.

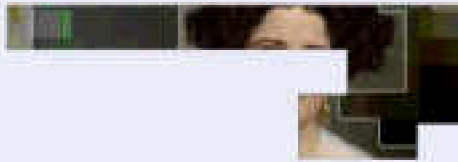
(Please prove me wrong. I'd be delighted to eat my words.)

It may surprise you to learn that as an investor, all this gives me more faith in women founders who ask for money, not less.

They've had to overcome hurdles like the GASP, and that's fertile ground for building grit. I suspect it makes them more likely to succeed than those who've had an easier path. The data on outperformance seems to suggest at least a correlation; perhaps there's a causal link.

Thanks to Equity Clear's collaborative work across the ecosystem to develop a Common Data Standard for tracking gender in investment pipelines, we may soon be able to infer which firms are already aiming for outperformance and which aren't yet.

Lacey Filipich
Founder and Director, Money School



# Fundraising confidence lower for female founders

**Fewer surveyed female founders plan to raise capital in the next twelve months than respondents in 2024. The share fell to 43%, down from 83% last year. At the same time, the confidence gap between the genders was clear: only 14% of female founders felt very confident about raising their next round, less than half that of male responders. A larger share of female founders also sat in the not confident bucket.**

Investor actions moved in a more positive direction. 71% of the 50 most active VC investors backed female-founded startups in 2025, and 22% had at least half of their deals involve a female founder, up materially from last year. This contradiction suggests that while headline investment outcomes have improved, the day-to-day experience of most female founders seeking capital remains misaligned with that progress.

## Founder insight

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


**71%** of the 50 most active VCs invested in female-founded startups in 2025

(up from 69% in 2024)

**43%** of surveyed female founders plan to raise capital in the next 12 months

(down from 83% in 2024)

**22%** of the 50 most active VCs had 50% or more deals involve a female founder

(up from13% in 2024)

# 04 The State of First Nations Entrepreneurship

# Five things to know

## 1

**Build Indigenous-led economic infrastructure that shifts decision-making power, funds founder pipelines, strengthens procurement-to-product pathways, and protects cultural integrity and IP nationally.**

Shift the focus from short funding cycles to permanent, Indigenous-led capability. This includes founder pipelines with consistent curriculum, alumni networks, and shared tools that connect founders to capital and support services, including legal, finance, and delivery partners.

Procurement acts as an early demand signal, with emphasis on turning contracts into scalable products through paid pilots, milestone funding, and founder-first IP terms. Cultural integrity and asset protection remain central, with practical mechanisms to prevent unauthorised use and support enforcement as ventures scale. Regional realities shape how the infrastructure operates and connects.

## 2

**Shift from short grants to permanent founder pipelines with national continuity**

A recurring theme is program fragmentation driven by 12-to-24-month funding cycles. When funding ends, teams, cohorts, and institutional knowledge reset, limiting compounding impact. The proposed direction is permanent, Indigenous-led infrastructure with consistent curriculum, alumni networks, and shared services. The objective is a national pipeline that links regional founders, capability building, and capital pathways over time.

## 3

**Use procurement to validate early demand, then fund productisation pathways at scale**

Procurement provides early revenue and validation, but it is not a complete growth strategy. Contract work can push founders toward customised services that do not build repeatable products or defensible IP. The emphasis shifts to productisation through paid pilots, milestone funding, founder-first IP terms, and dedicated support for engineering, UX, compliance, and go-to-market execution.

## 4

**Protect culture and IP with enforceable standards and practical defence mechanisms**

Protecting culture and intellectual property is essential to sustainable growth. Risks include unauthorised use of Indigenous names, designs, and stories without permission or ongoing benefit. Responses focus on culture-first governance, clear ownership structures, and accessible enforcement as ventures gain visibility. Practical defence mechanisms reduce extraction risk and help founders retain long-term value.

## 5

**Align capital with reciprocity so growth reinforces heritage and community outcomes**

Enterprise models balance commercial returns with cultural obligations and reinvestment. Approaches include directing a majority of profits back into community and supporting founders through education, networks, and access to growth funding. As businesses scale, they create employment, purchase from Indigenous suppliers, and strengthen Indigenous-led service providers. This reinforces a cycle where economic growth and cultural continuity advance together.

# Building an inclusive First Nations business ecosystem

**Coming back from the #Indigenomics movement in Toronto, it really hit me what a strong and self-determined First Nations economy looks like. In Canada, it's already happening.**

People often talk about a $100 billion economy, but in confidence with the #Indigenomics Institute, it's closer to $260 billion. Back home, the Australian First Nations economy sits at around $16 billion. That gap isn't about talent or ambition. It's about the systems wrapped around their businesses. Canada has First Nations-owned banks, investment funds and business networks that keep wealth circulating through community. We're not there yet, but we're building something that's distinctly ours.

At First Nations Finance Corporation (FNFC), we believe money should grow people, not just profit. That's why 70% of profits go back into community through the Pauline E. McLeod Foundation, supporting mental health, education, and entrepreneurship. We see ourselves as part of a broader push to strengthen the First Nations business ecosystem and shift our sector from being treated as an ESG target to becoming a meaningful contributor to the Australian economy.

A big part of that work is the First Nations Entrepreneur Academy. It's a space where culture, community and business thinking come together. Founders can explore ideas, test them, refine them and build confidence in a culturally safe way. It's not about copying mainstream models. It's about supporting mob to build businesses that feel right for them and deliver value back to their communities.

The real magic is how everything connects. Profits from FNFC help fund the Academy. Academy "graduates" can then access capital growth funding through our no-interest Dreamfund to take their ventures further. As their businesses grow, they employ others, buy from other Black-owned businesses and mentor our next generation. It creates a circle of opportunity. The wider ecosystem gets stronger too, because support services like legal, accounting, and marketing are delivered by other Indigenous businesses. Everyone lifts together.

Seeing Canada's maturity gave me a lot of hope. They have strong corporate partnerships and community-owned projects delivering real outcomes, one that employs 40,000 First Nations mob. It showed what becomes possible when the foundations are in place. It also reminded me of something simple. Capital matters, but people matter more. Patience, capability and confidence strengthen an economy. That's what we're focused on building here in Australia.

We don't need to copy Canada's model. Our story has its own identity. It's grounded in collaboration, respect and cultural integrity. Yes, we face barriers such as limited access to capital, land issues that limit collateral, and systems that don't always understand our way of doing business. However, the opportunity in front of us is bigger than the friction. When mob are backed properly, we do remarkable things. We see it every day.

There's something Canada does well that we can learn from. They have national Indigenous economic councils that help guide long-term strategy. Something similar in Australia could be a game changer. An Indigenous-led economic body could coordinate how government, finance and industry work with our communities. It could shift us from being consulted to being equal partners shaping the agenda.

I see a real opportunity for global connection. I was the only Australian at the Canadian conference. Imagine a trade and learning network between First Nations businesses in Australia, Canada and Aotearoa. We share values of community, self-determination and reciprocity. Opening spots in our Entrepreneur Academy to First Nations founders overseas would deepen those relationships and eventually allow our mob to learn from theirs as well.

Here in Australia, the First Nations business sector is growing quickly. We're creating jobs, building capability and proving we belong in every industry. What is needed now is better access to patient investment, stronger pathways for capability building and more connection across our business community.

Our goal is simple. We want a thriving First Nations business ecosystem where entrepreneurs grow on their own terms, partnerships are built with respect, capital flows back into community and Indigenous-owned businesses support one another through shared services. That is the future FNFC is working toward. We are building the foundations for a self-sustaining First Nations economy through finance, education, mentoring, connection and collaboration.

There's a lot of work still to do, but the momentum is building. When we back our people and invest in our own, we build more than businesses. We build legacy.

Stephen Rutter
Director, First Nations Finance

# Culture, Integrity and responsibility: Setting a new standard for First Nations engagement in Australia

**For years, we have seen First Nations engagement in Australia fall short of its promises. Despite growing interest in Aboriginal culture, too many businesses continue to use our identity as a marketing tool rather than a relationship.**

We've watched companies apply Blak cladding techniques — using Indigenous names, symbols, and artwork to sell products — while very little of the benefit makes its way back to the communities. These practices do more than deny opportunities; they erode trust and undermine the cultural integrity that sits at the heart of Aboriginal identity.

Increasingly, however, First Nations brands are rewriting the narrative and showing what genuine, respectful, community-focused cultural practice looks like. At Kaarli, our approach is simple: culture and identity first, business second — always. Everything we do is guided by the belief that our cultural stories carry deep responsibility, and any commercial success must be shared with the people and communities who shape those stories.

### Moving beyond aesthetic to integrity

At the height of Blak cladding, we saw a surge in non-Indigenous businesses using Aboriginal names, designs, or references without the correct permissions, relationships, or authority. What results is a version of "Indigenous culture" that is watered down, disconnected, and ultimately disrespectful.

Kaarli was built as a response to this. We didn't want to take up space, we wanted to create space.

We intentionally seek out up-and-coming First Nations artists, providing them with platforms, pathways, and incomes that grow alongside their talent. The relationships we build are grounded in truth, permission, cultural accountability, and respectful processes. These aren't transactional arrangements— they are long-term partnerships based on trust, shared purpose, and a deep respect for story ownership.

That's the standard we hold ourselves to at Kaarli.

### Working with Indigenous artists the right way

Many mainstream brands rely on one-off or exclusive licensing agreements that lock artists into contracts limiting their future potential. These agreements often strip artists of control and reduce their artwork to a commercial asset.

At Kaarli, we do the opposite.

We use non-exclusive licensing agreements, which means our artists retain complete freedom to grow, collaborate, and explore other opportunities. Their stories remain *theirs* — we only borrow them temporarily and respectfully to feature on our socks, ties, hats.

Alongside non-exclusive licensing, every Kaarli product that carries a First Nations artwork includes royalties paid directly to the artist. These royalties are not token gestures; they are pathways to economic independence. They acknowledge the cultural, emotional, and creative labour embedded in every design.

Our goal is to model what multiple streams of income can look like for mob — from licensing to investments to building your own business. When we share our knowledge of business, finance, and entrepreneurship with younger artists, we aren't just helping them earn income today — we're helping them build long-term financial sustainability for their families and communities.

### A new standard for the industry

As Australian consumers, corporates, and global partners increasingly seek authentic Indigenous products, the responsibility on brands grows. First Nations businesses like Kaarli are setting benchmarks that show clearly:

Indigenous culture cannot be extracted — it must be respected.

Artists deserve ownership and ongoing benefit. Community must remain at the centre of commercial success.

Authenticity isn't something you can copy, manufacture, or replicate. It's something you must live.

And for us, living it means ensuring that every product we create reflects respect, reciprocity, and responsibility — not just for our own success, but for the generations coming behind us.

**Sam Edgar**
Managing Director, Kaarli

# Beyond access to capital, towards access to power

**For generations, First Nations people have been entrepreneurs out of necessity, innovation and self determination. We built trade networks long before colonisation, managed complex economies on Country, built tools to hunt and gather, and sustained systems of governance and enterprise that were deeply embedded in community, kinship and land.**

Yet in 2025, we're still navigating a system that wasn't designed for us, and too often asks us to "fit in" rather than transform it.

In my work through Jahna Cedar Consulting, First Nations X and the Blak Angels Investment Network, I see daily both the extraordinary potential of First Nations founders and the persistent structural barriers they face. Progress has been made, but if we're serious about closing the economic gap, we need to move beyond surface level inclusion and start redesigning how the system works. Because this isn't just about access to capital. It's about access to power.

There is no doubt we've seen positive shifts. More First Nations founders are entering tech, innovation, health, climate and creative industries. We're seeing more dedicated First Nations funding streams, accelerator programs and investment initiatives. We're seeing more conversations about Indigenous data sovereignty, procurement reform and economic self determination.

For Example, Researchers from the University of Melbourne's Dilin Duwa Centre for Indigenous Business Leadership found that Indigenous businesses now contribute over $16 billion to the Australian economy.

Similarly, data from the National Indigenous Australians Agency (NIAA) shows that Supply Nation registered Indigenous businesses were generating over $1 billion annually, growing at an average rate of 12.5% per year. These figures demonstrate significant and sustained economic momentum.

At the same time, I reflect on my learnings from World Indigenous People Conference on Education, in Aotearoa this year, where I heard repeatedly that "our true strength lies in standing together as one". And that too often, frameworks that purport to support Indigenous peoples still require us to operate on terms not shaped by us.

We're still seeing:

- Too few Indigenous led venture funds and decision makers.
- Grant and investment criteria that favour privilege, networks and polished language over lived experience and community credibility.
- A lack of long term capital, with most funding focused on short term programs rather than sustainable business ecosystems.
- A system that celebrates success stories but doesn't always invest in the pathways to get there.

First Nations entrepreneurship is not just about creating startups. It's about creating legacy, opportunity, employment, healing and self determination for our communities.

Many First Nations entrepreneurs navigate two worlds, cultural and corporate, carrying community, family and cultural obligations alongside commercial realities. This is not a risk to manage, but a strength the system must learn to value.

Our entrepreneurs bring deep relational leadership, systems thinking grounded in tens of thousands of years of knowledge, a long term view of impact that extends beyond short term profit, and innovation rooted in cultural integrity and care for Country.

At WIPCE I heard an Elder say, "Being face to face is the native way", a reminder that relationship and reciprocity matter just as much as the "deal". If our mainstream innovation system truly valued those strengths, we'd see a different kind of startup landscape, one that is more ethical, inclusive and sustainable.

If Australia truly wants an innovation economy that is fair, resilient and future ready, then *it must move beyond inviting First Nations people into broken systems* and instead walk alongside us to redesign them. This means trusting Indigenous leadership, shifting power, and investing in ecosystems that honour culture, community and intergenerational impact, not just short term profit. Because when First Nations entrepreneurs are resourced, respected and positioned as nation builders, we don't just grow businesses. We grow confidence. We grow opportunity. We strengthen families, communities and the next generation of leaders.

That future is not built for us. It is built with us. And when we get that right, everyone benefits.

**Jahna Cedar OAM**
Founder, Jahna Cedar Consulting

# Beyond the IPP: Building a national ecosystem for First Nations innovation

**For years, Australia has treated First Nations entrepreneurship as a side project — a patchwork of short-term programs, inconsistent resources, and pilots that disappear the moment the grant funding dries up.**

The current incubator landscape for First Nations founders is fragmented, unpredictable, and fundamentally unsustainable. This is not an ecosystem. It is a series of disconnected experiments.

And yet, against the odds, First Nations entrepreneurs continue to rise.

First Nations people have the talent, ambition and ideas. What we don't have — yet — is the national infrastructure to support that potential at scale. If Australia is serious about economic inclusion, if we genuinely believe in the power of First Nations businesses, then we need more than procurement targets and small pockets of short-term funding.

## We need a national First Nations-led incubator with long-term funding

The current system can't deliver what founders actually need. Most First Nations startup programs run on 12–24 month grants that expire before momentum can build. And when the money runs out, the program disappears, the staff disappear, and the founders are left high and dry. Everyone is starting from zero every couple of years. No continuity. No alumni network. No consistent curriculum. No national pipeline.

No other part of Australia's innovation economy is expected to operate like this.

If we want more First Nations founders starting companies, we need permanent infrastructure — not pop-up programs. We need a system that builds capability year after year, across regions, with shared tools, shared networks, and shared pathways to capital. A system that is culturally-grounded, designed and led by Mob, and backed for the long-term.

This is exactly the vision behind the Ochre Indigenous Pre-Accelerator. It was created not just to deliver a program, but to build a pipeline. A place where First Nations people can come with an idea — or even just curiosity — and leave with the skills, confidence, and networks to take the next step.

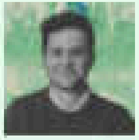
Across our first three programs in Victoria, funded by LaunchVic, we've seen the same thing again and again: when First Nations founders are given high-quality support, they move quickly, think boldly, and build with purpose.

And what makes these businesses extraordinary is that they combine strong commercial ambition with deeply held values. Every First Nations founder I've encountered builds with a social impact lens baked into their model. Giving back to community is a core value you grow up with. This shows up in hiring, in profit distribution, in how founders think about responsibility and legacy. First Nations entrepreneurship is a social enterprise movement in everything but name.

That's why this moment matters. The Indigenous Procurement Policy (IPP) and other government initiatives have created strong demand for First Nations suppliers, but demand alone doesn't build capability. It doesn't create founders. It doesn't give people the tools or confidence to take the first step.

What we need now is the other half of the equation: a national incubator that plants the seeds early, normalises entrepreneurship in First Nations communities, and builds a culture where starting a business is not the exception but the expectation.

My dream is that someone eventually walks into one of Ochre's incubators with nothing more than an idea — or even just the spark of wanting something different — and grows into a founder who secures investment from Ochre Ventures, which is Australia's first venture capital fund for First Nations businesses. A full pathway, end-to-end, led by Mob, backed properly, and available to anyone in the country.



**Dr Kyle Turner**
Investment Manager, Ochre Ventures

# The new Indigenous economy's emerging business profile

**In 2025, we saw no shortage of Indigenous entrepreneurs with bold visions that could deliver real financial and social returns for investors. There was also no shortage of investors wanting to back ambitious Indigenous-led startups breaking the mould with radical approaches.**

What was missing were the infrastructure and systems to connect like-minded entrepreneurs and investors, and to support Indigenous-led ventures as ideas transform into businesses that no one else is thinking about. The new Indigenous economy is just getting started and has a promising trajectory, but it needs support and investment to build a pipeline of scalable businesses and unlock the full impact of a self-determined Indigenous business ecosystem.

## The opportunity to turn relentless ambition into financial returns

The entrepreneurs we work with in Far North Queensland aren't what a mainstream VC or investor would consider 'normal'. They've had more knockbacks than most, they've experienced deep hardship and loss that's been carried from generation to generation, and despite many traditional financial institutions repeatedly telling them they don't have what it takes, they keep going.

Our founders are relentless, resourceful and resilient in ways most founders never have to think about. From these experiences and perspectives, they're coming up with new ways to solve real problems while creating opportunities for intergenerational success.

One example is a new venture called Bush Beef. Four years ago, this started as an idea by Normanby Aboriginal Corporation and Traditional Owners, driven by an urgent need to remove unmanaged cattle on their 30,000 hectares of land that were damaging the environment and ancient rock art sites. They had the audacity to not just believe they could remove the cattle sustainably, but also turn this problem into a business opportunity that creates multiple interconnected ventures, dozens of jobs, and solutions to food insecurity in the region. Despite countless challenges and setbacks, they pushed forward with limited resources and networks.

Bush Beef is in its early days, and they're onto something special. Esparq has partnered with Normanby Aboriginal Corporation to validate, commercialise, and streamline operations around its unique vision. We've experimented with Bush Beef pies and jerky, generated initial (and overwhelmingly positive) feedback from a range of consumers and renowned chefs across the country, and the Bush Beef team are now working on an even bigger goal of building their own abattoir on Country.

This isn't just ambition that's leading to real opportunities. It's entrepreneurs who have earned the right to win, and are daring to do so on their own terms. It won't happen overnight, but with the right support, network, and commitment to developing the Indigenous business sector as a whole, this self-determined success will soon enable a cascade of intergenerational impacts, while starting a new ecosystem of Indigenous businesses and wealth.

## Building infrastructure and systems for a new economy

Esparq Ventures was born from the idea that Indigenous entrepreneurs who build businesses on their own terms are best positioned to build a new, thriving Indigenous economy.

This won't come from hand-outs, but hand-ups. Once investors, VCs, and philanthropists are connected with entrepreneurs to provide a holistic leg-up in an often convoluted space covered with red tape, Indigenous businesses will be able to launch, grow, replicate, and scale to new heights.

2026 will be the year investors can become a meaningful building block in the Indigenous economy, helping businesses grow and scale on their own terms, which will in turn form the infrastructure needed for a new ecosystem of successful Indigenous businesses.

Darryl Majid
Founder, Esparq Ventures

# From legacy to leadership: Investing in the First Nations innovation ecosystem

**First Nations peoples are the original entrepreneurs. For over 80,000 years, we've innovated through trade, storytelling, land stewardship, and knowledge exchange. That legacy lives on in every Indigenous founder who creates, scales, and sustains culture-led businesses today.**

At Make It Happen HQ, we honour that legacy by building forward. Over the past decade, we've cultivated a national First Nations innovation ecosystem led, governed, and owned by First Nations women. Now, we're calling for serious investment not just in talent, but in the systems that nurture it.

### Beyond case studies: Invest in the ecosystem

Indigenous entrepreneurship contributes $16B+ annually to the economy and supports 116,000+ jobs across Australia. But this isn't a trend, it's a continuation of an ancient economy retooled for today.

Make It Happen HQ has spent the last decade delivering:

- Culturally intelligent digital training
- Regional-first tech pathways
- Global market access built on cultural integrity
- Scalable models like *Reclaim The Narrative*, where capital is invited to the Country, not the other way around

### Profit for purpose means survival, not slogans

When we say *profit for purpose*, we mean it.

First Nations entrepreneurship is our way out of welfare dependency, a system we didn't create but have been forced to survive. It's how we reclaim economic independence and cultural pride through self-determined business.

### And let's be clear: Entrepreneurship is prevention.

It prevents youth hopelessness. It prevents child suicide. With the Kimberley having the highest rate of child suicide in the world, enterprise cannot be treated as a side agenda, it must be part of the solution.

When young people see Indigenous founders building futures, they see possibility. They see pride. They see a path.

### The Kimberley: $8.56 billion economy, locked out of its own potential

The Kimberley region generates $8.56 billion in GRP, contributing nearly 2% of WA's economic output, and sustaining 16,500 jobs.

And yet, despite Indigenous people making up 50% of the population and controlling 90% of the land, the region remains locked out of its potential. Barriers include:

- Limited access to capital
- Exorbitant logistics and supply chain costs
- Less than 1% access to national procurement contracts
- Fragmented networks and underinvestment in regional infrastructure

This is more than a funding gap. It's a justice gap.

We're responding by building Indigenous-owned infrastructure, trade pathways, and advocacy systems that connect the Kimberley to global markets on First Nations terms.

### Digital sovereignty as capability uplift

Our founders aren't just becoming business ready they're becoming digitally sovereign. Through the Five Pillars of Indigenous Digital Sovereignty: Identity, Provenance, Storytelling, Commerce, and Law and Policy we are designing systems where First Nations people own the platforms, control the data, and protect the stories.

These aren't concepts, they're real capabilities occurring across country:

- AI learning tools in local languages (BALAA AI)
- AR/VR cultural mapping guided by Elders (Ngurra VR)
- Blockchain-enabled royalties and provenance
- Cultural commerce governed by community and custom

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# From legacy to leadership: Investing in the First Nations innovation ecosystem

(continued)

**Choose to deliver within the ecosystem. Not around it.**

We call on funders, corporates, government, and philanthropists:

1. Don't just support First Nations entrepreneurs deliver within First Nations ecosystems.
2. Don't extract ideas invest in the platforms we've built, protected, and grown.

And crucially, fund First Nations-led initiatives like *Reclaim The Narrative* and the *Warrangarri Chamber of Commerce* and Industry, economically powerful, culturally essential infrastructure.

These are not side projects. They are self-determined systems built by those who live the experience. Who know what is missing and what is needed.

**Sponsor reclaim the narrative: Be the unlikely, be the needed**

When capital doesn't come to Country — we create our own groundswell.

*Reclaim The Narrative* is a bold platform where culture meets commerce and capital is welcomed on our terms. It's about shifting power *not just* funding projects.

This is your opportunity to join a national movement led from the Kimberley outward a movement investing in stories, trade, sovereignty, and legacy.

Sponsor *Reclaim The Narrative* today and help bring capital to Country:
[illegible]

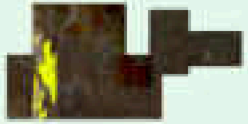
The Future is Indigenous. Are You Ready to Back It?

The question is no longer whether First Nations founders are ready.

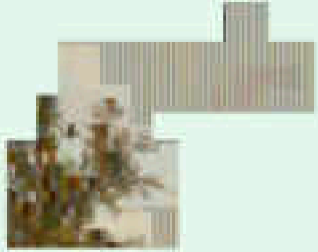
The real question is: Are your investments ready to match the scale of what's already in motion?

Don't just invest in a pipeline of "ready" First Nations businesses, invest in building the pipeline itself.

Join us. Not just as funders, but as co-creators of a sovereign innovation economy. Not just to support the next Indigenous-owned Canva, but to invest in the ecosystem that will make it happen.



**Adele Peek**
Founder, Make It Happen HQ



# From contracts to companies: Fixing the two biggest leaks in First Nations innovation

**First Nations businesses generate an estimated $42.6 billion in economic activity. The issue is not whether Indigenous entrepreneurship "works"- it does. The issue is whether Australia has built the infrastructure to reproduce those outcomes for the next generation of founders, at scale, with real ownership of the assets they create.**

Australia is currently good at buying Indigenous work. It is far less consistent at backing Indigenous-built assets. Two structural leaks keep the ecosystem stuck.

**Leak #1:** Procurement creates activity, not assets. We often treat Indigenous procurement outcomes as proof the startup ecosystem is maturing. Procurement can be a valuable early-revenue pathway, but it is not a startup strategy. Too many contracts push founders into labour-heavy, customised services: busy, cash-flowing, and highly reportable, but not building repeatable products, defensible IP, or scalable distribution. In venture terms, services revenue is often non-repeatable, margin-capped, and founder-dependent — excellent for cashflow, weak for venture-scale defensibility.

**What's missing is contract-to-product rails: infrastructure that converts contract revenue and deep market insight into scalable assets. That can be built with simple, repeatable mechanisms:**

i. Paid pilots with milestone funding (not unpaid "proof of concept" requests)
ii. Founder-first IP terms, where the founder retains IP by default
iii. A funded productisation sprint covering engineering, UX, compliance, and go-to-market

Indigenous-led pipeline builders already do the unglamorous work required to make founders investable — founder readiness, partnerships, governance, and deal pathways — often with patchwork funding and slow, inconsistent grant processes. We keep asking for "more Indigenous founders" while starving the very institutions that produce founder readiness, deal flow, and governance capability. In my experience, even proven Indigenous-led pipeline work can sit in long decision cycles with inconsistent outcomes, making community planning almost impossible.

**Leak #2:** When founders build assets, we don't protect them. It's one thing to have rights; it's another to have the knowledge and cash to enforce them. Our remote-based company had a registered trademark breached by a multimillion-dollar Sydney firm. We took it to court and won. Most founders can't. The moment an Indigenous product becomes visible enough to be investable, it becomes visible enough to be copied. When enforcement is inaccessible, IP becomes extractable: copied brands, appropriated designs, and cultural value stripped of commercial upside. That is an innovation problem, not a niche creative issue.

**The fix is practical and investable:**

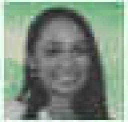
1. Multi-year funding for Indigenous-led pipeline developers;
2. Procurement designed for innovation: underwritten pilots and productisation pathways with founder-first IP terms;
3. An Indigenous-led IP defence fund with rapid-response capability; and
4. Affordable insurance products that underwrite enforcement, because insurers have a direct incentive to defend the asset and price the risk.

**Finally,** we must address IPP exemptions. A procurement policy that can be easily avoided cannot build a reliable pipeline. When exemptions are easy, Indigenous demand becomes unpredictable — founders can't justify hiring, building product, or investing in IP. Tightening exemptions and strengthening compliance shifts Indigenous procurement from optional to structural, creating the consistent demand signal founders need to invest in product, talent, and IP.

For investors and corporates, the opportunity is clear: stop confusing spend with wealth creation. Back Indigenous founders to own scalable assets — products, platforms, brands and IP — not just deliver work.

- **Investors:** fund productisation and IP protection as core seed inputs, not optional extras.
- **Corporates and governments:** run paid pilots with founder-first IP terms and milestone funding.
- **Philanthropy and CSR:** underwrite the IP defence fund or provide first-loss capital to crowd in private investment.

If you believe in Indigenous business, fund the infrastructure behind it — not only the outcomes you can report.



Cara Peek
Co-Founder, Cultural IQ

05

# The State of Angel Investing

# Five things to know

## 1

### Angels returned and deployment regained momentum, but with renewed discipline and a whole of portfolio view

After the volatility of 2023 and the hesitation of 2024, angel investing in 2025 moved into a calmer, more deliberate phase. The prevailing mood shifted to cautious optimism, with angels re-engaging thoughtfully rather than chasing volume. Activity increased versus last year, but participation clustered around mid-range engagement rather than a return to indiscriminate dealmaking.

Activity concentrated within trusted communities and sector-focused syndicates, where investors relied on domain expertise, stronger diligence and peer validation to underwrite risk. This raised the bar for founders and extended diligence cycles, but it also improved confidence. The market moved again, not because risk disappeared, but because investors understood it better.

## 2

### Valuation sensitivity reshaped portfolio construction approach

While engagement increased, angels became more cautious on pricing. A materially larger share of respondents viewed startups as overvalued in 2025 compared with 2024, and this perception directly shaped how they deployed. Preferences towards later stages, with stronger interest in post-revenue businesses and a notable uplift in Series A preference. Angels used smaller cheques as a deliberate portfolio construction approach to manage valuation risk.

## 3

### Specialist syndicates became the organising unit of early-stage capital

Specialist syndicates became a defining feature of the 2025 angel landscape. Activity concentrated in trusted, vertically focused communities that improved evaluation and signalling for founders and follow-on investors and helped close rounds faster when sector fit and deal quality were clear. As they mature, these syndicates increasingly resemble micro-VCs, combining domain expertise with structured diligence and community support.

## 4

### Operator angels expanded the base and played key role at the earliest stages

Angels with startup experience continued to invest earlier, spotting credible execution signals before revenue appears. More operators entered angel investing, bringing practical value add, including domain insight, customer access, and operating experience. This reinforced team quality as the anchor criterion and strengthened the feedback loop between founders and angels who understand what it takes to build.

## 5

### AI lifted deal due diligence, and constraints on capital and exits still bite

AI dominated sector interest in 2025 and reshaped angel diligence. Angels used AI tools to test assumptions, analyse materials, and surface risks, lifting decision quality but extending diligence cycles and raising the bar for founders.

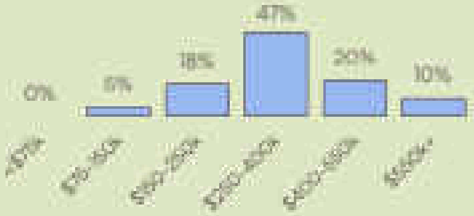
Macro constraints still held. Cost-of-living pressures and limited exits constrained how much capital angels could deploy, and the recycling flywheel remained slow.

# Angels we surveyed

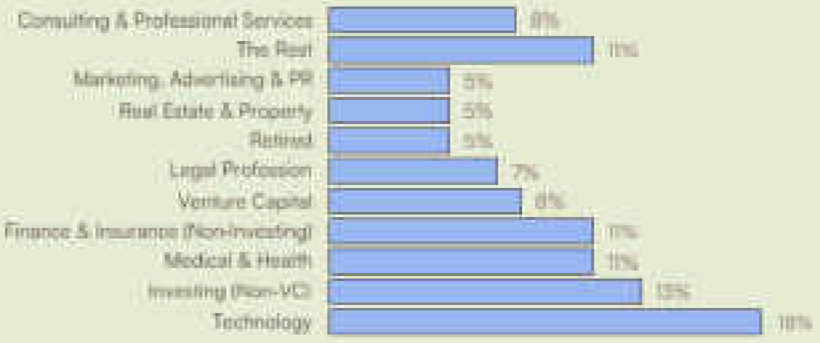
We received survey responses from 245 angel investors throughout Australia. Distribution channels included angel networks, syndicate platforms, and organisations providing angel investing education.

## Age

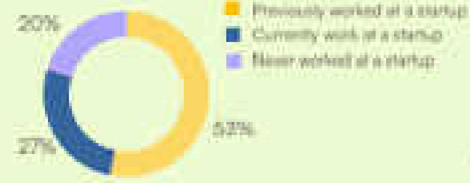

## Annual Income




## Profession




## Startup experience

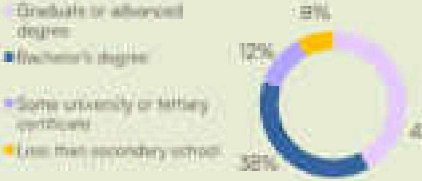



## Founder experience


## First angel investment

| | |
|---|---|
| 33% 2017 or earlier | 22% 2018 - 2020 |
| 38% 2021 - 2024 | 7% 2025 |

## Highest Level of Education




### Men

| | |
|---|---|
| Technology | 29% |
| Investing (Non-VC) | 13% |
| Medical and Health | 10% |
| Legal | 9% |
| Real Estate and Property | 8% |

### Women

| | |
|---|---|
| Finance and Insurance (Non-Investing) | 17% |
| Investing (Non-VC) | 14% |
| Consulting and Professional Services | 12% |
| Medical and Health | 12% |
| Unpaid Work (e.g., Parent, Family Support) | 9% |

# Specialist syndicates reshape early-stage capital flows

**Sector-focused syndicates are a defining feature of the angel landscape. Their deep expertise helps investors build conviction faster and improves the quality of deal evaluation.**

Angel investors were more selective, more specialised and more confident 2025. Activity concentrated in trusted communities as syndicates grew their LP bases and backed deals with clearer conviction. Investors favoured founders with strong problem fit, early traction and real customer usage, and the rise of AI pushed them to lean harder on founder quality and trusted networks.

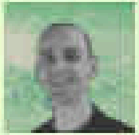
Diversity among angels expanded. More operators and sector specialists shaped diligence and deal flow, while syndicates and platforms lowered barriers, helped investors spread risk, and encouraged disciplined portfolio-style exposure.

“

We focus on Healthtech, with exposure to Deeptech, and the strongest momentum right now is in preventive health and AI-enabled solutions. These categories directly reduce pressure on the system through faster workflows, automation, and data-driven decisions, while also expanding access to care and supporting longer, healthier lives.

We have seen a strong uplift in activity, with our syndicate LP base doubling compared to last year. Both existing angels and new investors are actively seeking opportunities in Healthtech and AI enabled solutions.

This mix of efficiency gains and reduced system strain is why the investment case is so compelling. It is practical, obvious, and continuing to strengthen.



**Dren Xerxa**
Director, LX Health

“

We made a deliberate choice to focus exclusively on Govtech, and the market has validated that bet. LP interest in our deal flow has increased by approximately 600% since we launched our syndicate early this year. Part of the momentum reflects a shift in national security and sovereign capability from policy discussions to boardroom priorities.

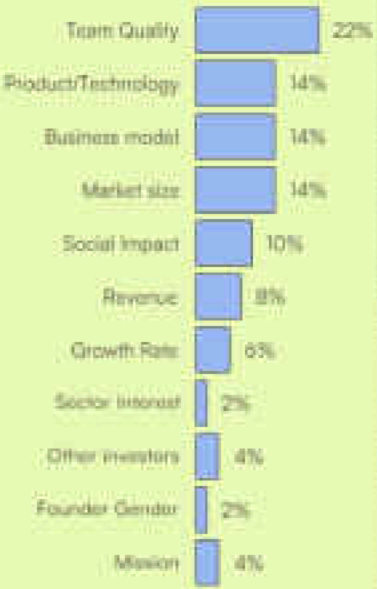
Our last round closed in 21 days, backed by investors I wouldn't have picked to back a Govtech company. The pattern keeps repeating: LPs reach out, saying they want to learn more about the sector, then move to conviction faster than we expected. The surprise isn't the interest anymore—it's the speed of that conversion.

**Mat Voller**
Managing Partner, Rivery Capital

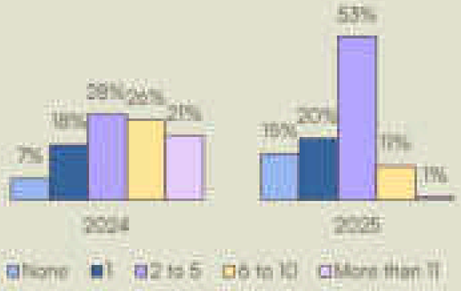
# How angels invested in 2025

**Angel investing in 2025 reflected a more selective, more specialised and increasingly confident investor base.**

### Top considerations when investing (% of respondents who selected)




### How did you angel invest in this year? (% of respondents who selected)




**20%**

of angels with incomes under $550K increased their investing vs 2024

**5%**

of angels with incomes over $550K increased their investing vs 2024

### Investments made in 2025 vs 2024

| 33% | 20% | 47% |
|---|---|---|
| made fewer investments in 2025 | made the same investments in 2025 | made more investments in 2025 |

**Male Angels**

| 45% | 60% |
|---|---|
| made more investments than 2024 | Expect to invest more next year |

**Female Angels**

| 50% | 42% |
|---|---|
| made more investments than 2024 | Expect to invest more next year |

### How did you angel invest in 2025? (% of respondents who selected)

# A more selective and specialized angel population emerges

**Angel investing in 2025 reflected a more selective, more specialised and increasingly confident investor base.**

Angel groups are moving away from broad generalist investing toward tightly defined vertical theses. Climate Tech, Healthtech, and Deeptech show the strongest traction. Specialist leads report rapid growth in LP interest as investors seek sharper insight and higher confidence in complex markets. This shift reflects the belief that early-stage capital performs best when guided by deep understanding of customer pathways and sector-specific adoption dynamics.

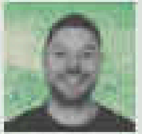
The appeal of specialist syndicates lies in their ability to out-diligence generalist investors. They offer stronger signal on whether a company has real traction and a credible route to market. Their judgement carries weight because crowded markets, especially those involving AI, have raised the bar for trust and selectivity.

As these groups mature, they increasingly resemble micro-VCs. They combine domain expertise with structured community engagement and have become important filters for founders and reliable partners for VCs seeking validated early-stage opportunities.

Early-stage investing was once the domain of a very small part of society, but interest in startups and venture is now coming from a much broader range of people, including elite athletes. You can hear startup chat in the locker room now as much as in any boardroom!

People from varied backgrounds bring distinct perspectives and often new forms of 'value add' or network to the ecosystem. As an example we focus on bringing greater attention to the business by being trusted brand advocates and helping acquire customers, as well as sharing traits that resonate deeply with founders like dealing with pressure, building cohesive teams, staying disciplined when outcomes are uncertain.

It's exciting to see more contributors from different walks of life emerging across the venture landscape, strengthening the ecosystem for everyone.



Mathew Dellavedova
Co-Founder, Athletic Ventures

2025 was Plus Eight Syndicate's first year of operation after nearly a decade of delivering our accelerator program, and the level of activity and engagement was very strong. Our first deal, with Paperly, an innovative edtech company, drew significant investor interest. Because they had already completed one of Plus Eight's programs, investors were able to closely follow their progress over time, making vetting more robust and giving them confidence.

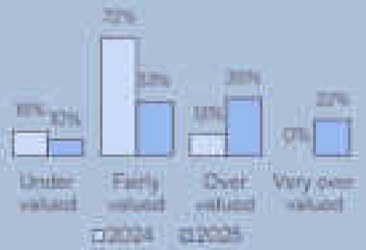
This ongoing visibility and relationship-building ensured that investors were not coming in cold. The syndicate model created another pathway for continued investment after the accelerator, allowing investors to participate not only financially but also by opening their networks, offering operational support, and serving as a sounding board. This gives us a solid foundation to build on as we continue to back founders throughout their growth.

Ophelie Cutler
CEO, Spacecubed

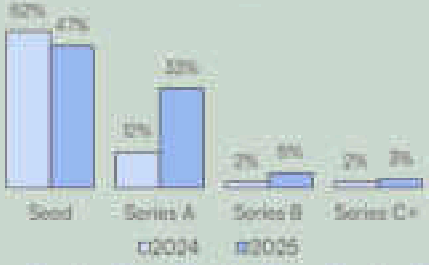
# Smaller bets placed in a high valuation environment

Angel investors are leaning into more selective, smaller cheques as valuations stabilise and confidence rebuilds inside trusted syndicate communities. Even with rising engagement, most angels are prioritising later stages and clearer traction to navigate a high valuation environment with discipline.

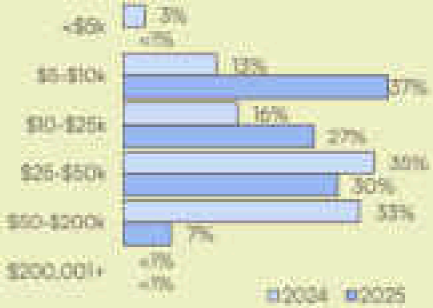
Australian Startups are currently




Preferred round for investment

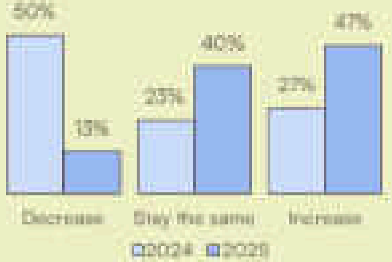



Typical investment size




Preferred business maturity for investment


How many investments did your angel group make this year vs last?




Think startups are currently over valued

**50%** Male Angels

**42%** Female Angels

> We are seeing a clear lift in activity and engagement across syndicates. Inflation has stabilised and interest rates, while still high, have steadied, which makes people more comfortable deploying savings into this asset class. Valuations feel more settled, sentiment has rebuilt, and the AI moment is pulling many back in because they do not want to miss a technological shift.
>
> Angels are writing checks more often and the average cheque size is rebuilding after the correction. More investors are leaning into portfolio construction, using syndicates to assemble 20 to 40 positions without writing huge checks into every deal. Where an angel might have written one or two checks in a year, we now see three to five through syndicates.
>
> I would not say this has transformed fundraising outcomes for most startups yet. It is still a tough market where many companies cannot kick off or fill rounds. The increased appetite is real, but the broader impact may take 12 to 24 months to filter through. For now, the momentum has not softened the grind for most founders.

Cheryl Mack
CEO, Aussie Angels

# AI dominates demand

**AI was the clear sector of demand for angels, with Climate Tech, B2B software and health-related categories also drawing steady enthusiasm from specialist and generalist investors. These preferences mirror patterns in VC investment patterns, where vertical AI, climate, health and other domain-rich areas show the strongest traction and defensibility. Angels and VCs are converging on the same high conviction sectors, and each group reinforces momentum in these categories.**

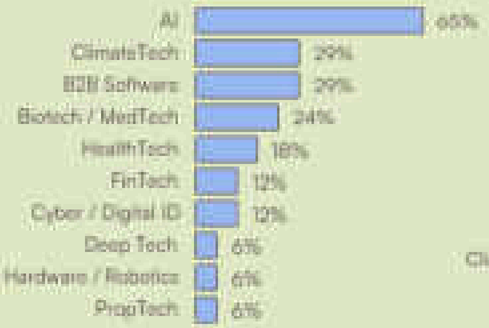
> We're seeing AI dominate our deal flow and equally draw the most attention from our syndicate. Almost everything I see now carries the AI label, and nearly everyone claims to use it. So the question as an investor and syndicate manager isn't whether we're in a bubble, but which companies will go the distance.
>
> Having built in this space personally, I'm less interested in prompts as product. At M8, what matters to us is whether the application of AI meaningfully improves longevity, differentiation, or the bottom line. There's real excitement about the opportunity — but also an awareness that discipline is needed to separate hype from durable value.
>
> We've seen strong interest in teams being funded by our members that use AI well, even if they're not strictly AI companies. The most compelling pitches stay true to the fundamentals: operator-led teams embedding intelligence into workflows that have traction. They're not necessarily building AI companies— they're building category winners that happen to use AI.

**Emily Rich**
General Partner,
M8 Ventures

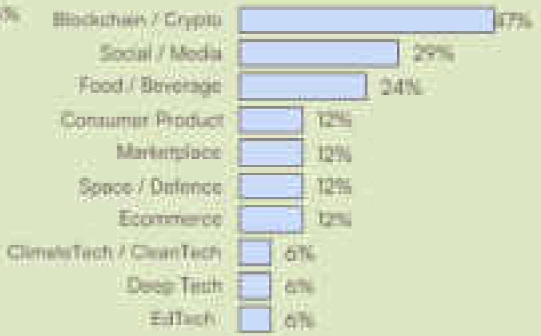
> There seems to be a rise of syndicates in Australia, which I think is great. The platforms that support syndication are helping with administration, while education about the benefits has grown and compounded. The practical upside is that more investors can access startup investing through syndicates. They are not required to commit large sums, as they would with a fund, and they have the flexibility to invest in deals on a case-by-case basis, choosing what to support and what to pass on.
>
> This accessibility has helped more capital flow into the early stages and has encouraged more people to become angel investors, including subject matter experts whose participation adds depth to a round and to the group's decision making. The combination of easier administration, better understanding, and lower barriers has expanded the investor pool and the pace of investment, reshaping early-stage funding by making it more accessible.

**Jason Atkins**
Managing Partner,

### 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

1. AI
2. Climate Tech
3. B2B Software

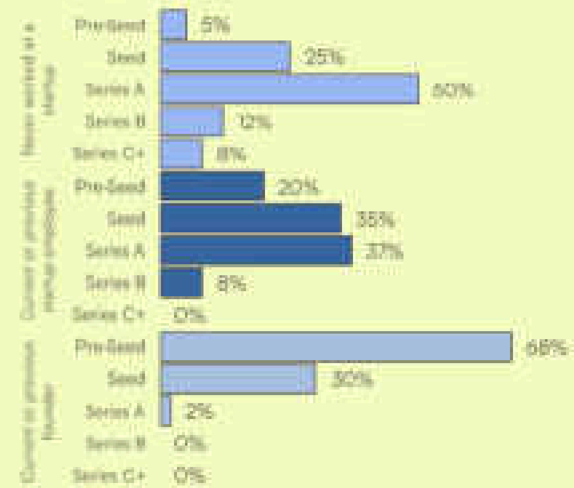
### Most exciting sectors for female angels

1. AI
2. Deep Tech
3. Healthtech

# Specialist syndicates reshape early-stage capital flows

Team strength remained the anchor criterion for angels. Founder quality and problem fit shaped the likelihood of a company breaking through. Across the interviews, angels with prior startup experience showed a recurring willingness to invest earlier, because they recognised strong product signals and credible execution even before revenue. Those without startup backgrounds preferred later stages and placed less weight on product insight and more on mature indicators of traction and market readiness.

### Investment stage preferences by founder status




### Prefer to invest Pre-Revenue

**10%**
Never worked at a startup

**40%**
Current or previous startup employee

**48%**
Current or previous startup founder

"The deals most likely to get funded are those where we believe in the founders, the problem and their ability to sell to the market. We also consult with our security leader network who believe in the problem space the founders are solving, as that signal matters to us. Belief in the founders sits alongside belief in the market pathway, and we weigh both when we decide.

When we assess a founder, we look for domain expertise, tenacity, and the ability to persuasively communicate the depth of a problem. We listen for how well they can articulate the pain and why it demands a solution. These traits help us judge whether they can ultimately address the problem and sell to their target market. The next few years will show if we are on the right track.

**Kirstin McIntosh**
Co-Founder
Something Real Ventures

### 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. Team Quality | 1. Team Quality |
| 2. Product/Technology | 2. Product/Technology | 2. Growth Rate |
| 3. Market Size | 3. Interest in Sector | 3. Interest in Sector |

# Operator angels emerge as a powerful new cohort

**Startup operators are entering angel investing in greater numbers, bringing real proximity to products, teams and emerging markets. Their lived experience is reshaping what conviction looks like at the early stage.**

Operator angels often have direct exposure to the products and markets that early-stage startups are building for. This gives them insight that helps them recognise strong founder problem fit and credible execution signals earlier than traditional investors. Their proximity to teams and technology creates a natural pathway into early-stage investing.

Economic constraints are also shaping behaviour. Many younger operators, despite solid incomes, are locked out of traditional wealth building assets and now view early stage investing as a viable alternative path. Syndicates and platforms make participation more accessible by handling logistics and documentation. They reduce barriers for newcomers with expertise but limited time.

The rise of operator angels strengthens the ecosystem by blending practical experience with capital. Their participation expands the angel base and gives founders investors who understand the operating realities of the problems they are solving.

"

As the value of equity via ESOPs becomes clearer to more operators, I've noticed growing interest in active angel investment. Operators are naturally close to new business formation — often their own teams use the product, or they've worked with the founders previously.
This proximity gives them the conviction to back a few early stage companies.

There are pragmatic drivers too. Younger operators, despite being on strong salaries are locked out of assets that were once more accessible — real estate being the obvious example — and now see early-stage investing as a potential path to building wealth. At the same time, platforms are reducing the friction of participating in rounds, handling the logistics and documentation that once deterred newcomers. When you combine conviction, simpler access, and the wealth and experience created by successful scale-ups, you get a new wave of operator angels ready to participate rather than watch from the sidelines.

**Will Richards**
Founder and Syndicate Lead, Overnight Success

"

We saw significant growth in community activity and engagement this past year, with membership doubling and funds under management tripling. This has been driven by backing more companies but also writing larger cheques thanks to strong deal flow at Seed and series a investments. The quality of our syndicate members, along with our efforts to facilitate connections between them, and also with founders, has also helped attract new people into the trampoline community.

As we grow, we see clear patterns in the types of opportunities our members care about. We aim for half of our deal flow to sit within impact sectors, with a focus on health, but also climate and education, with the remainder industry agnostic. This balance reflects the desire to support founders working on meaningful problems, while still maintaining access to a wide range of investment opportunities.

**Kate Herbert**
Partner, Trampoline

# Cost of living the biggest prohibitor

**Cost of living pressures remain the biggest constraint on new angel investments. They limit how often individuals can participate even as enthusiasm and community engagement rise. With many angels still early in their investing journey, exits remain low, and the capital recycling flywheel that usually fuels sustained activity has not yet begun to accelerate.**

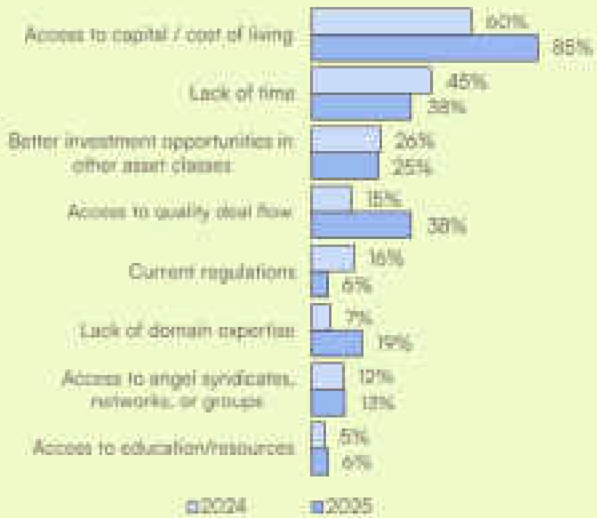
"

Engagement in our syndicate community has grown over the past year. We have seen more people join, a higher percentage of members choosing to invest in the deals we share, and more members referring others to the community. The combination of better deal quality, consistent communication, and the relationships we build has increased both trust and participation.

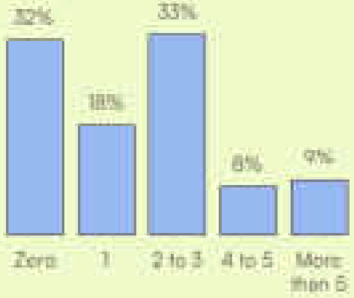
Access to exciting opportunities has helped, including some that are slightly later stage and hard for individual angels to enter directly. People are also seeing the progress and traction of earlier deals they backed, which makes them more comfortable with our quality bar and more confident in their decisions. As familiarity deepens, the process becomes simpler because trust has been earned and people understand what we are doing in more detail. We are now regularly getting really positive feedback about the quality of the deals we are presenting to syndicate members are regularly seeing deals oversubscribe.

**Danin Kahn**
Founding Partner, Electrifi Ventures

**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**

| 1 year investing | 2-4 years investing | 5-10 years investing | 10+ years investing |
|---|---|---|---|
| 0 exits | 1.2 exits | 2.5 exits | 3.1 exits |

# Angels adopt AI as a diligence accelerant

**AI is no longer just a sector trend. It is reshaping how diligence is done. Angels use AI tools to interrogate deals more deeply and raise the quality of their assessments.**

A significant behavioural shift among angels is the adoption of AI tools to analyse diligence memos, interrogate assumptions and surface red flags in pitch materials. These tools give investors the means to run deeper checks independently and they raise the quality and consistency of diligence.

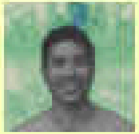
This has created a trade-off. Diligence cycles have lengthened, but conviction has strengthened. AI lowers the barrier for members to participate confidently and raises expectations for founders who must withstand more probing, structured questioning. Angels use these tools to improve rigor, not to shortcut decisions.

Syndicate leads are adjusting in response. They are more selective about which deals to present and at what stage, because investors now expect clarity, substance and resilience under AI-supported scrutiny.

"

I noticed people were more diligent about the deals they saw, which extended the deal cycle because members wanted to run their own checks and revisit assumptions. They had access to more tools and more people to ask the right questions, and many used AI to analyse diligence memos and scan pitch decks to surface issues faster and sanity check their own conclusions. That shifted how leads thought as well, since we became more selective about what to present and when, and we wanted the right deals for the right time with the right founders, not just more deals.

The result was slower to close but came with higher conviction, and I would take that trade every time if it gave members the chance to invest in the right opportunities, even if processes took weeks longer. The bar to access diligence was lower, but the bar to win trust was higher, which was exactly where it should have been in a noisier market.



**Barry Winata**
Managing Partner, Metagrove Ventures

# Calmer waters, cautious confidence returns

### A year of stabilisation and renewed momentum

After the turbulence of 2023 and the uncertainty of 2024, angel investing in Australia felt materially different in 2025. Not euphoric, not irrational, but calmer. Volatility eased, valuations stabilised, and we've seen sentiment slowly rebuild. The dominant mood among angels was cautious optimism, touching into excitement, with investors re-engaging thoughtfully, but not rushing back in.

Across the Aussie Angels platform, this shift showed up clearly in investor behaviour, not just anecdotes. In 2025, we saw approximately 1,200 individual angel cheques written, up from around 940 in 2024 on the platform. That increase matters, as it signals not just more deals getting done, but a broader willingness among angels to deploy capital again after a prolonged period of hesitation.

We also saw confidence showing up in cheque sizes. The average cheque in 2025 exceeded $12,000, compared to roughly $10,000 in 2024 (on the Aussie Angels platform). While still modest in absolute terms, this increase reflects a meaningful lift in risk appetite. Angels are not just dipping a toe back in, they are leaning in with slightly more conviction.

Importantly, these insights are drawn from activity across 250+ deals completed on the platform during 2025, giving a broad and representative view of early-stage angel behaviour rather than a handful of outliers.

### Valuations reset, expectations recalibrated

One of the most constructive developments in 2025 was the continued stabilisation of valuations. The sharp corrections of prior years largely played out, and both founders and investors entered the year with more aligned expectations. We saw founders come to market with cleaner stories, clearer use of funds, and more realistic growth assumptions. Angels, in turn, then seemed to be more comfortable underwriting risk as pricing felt grounded rather than speculative. Though we did see more aggressive valuations for AI-native companies with exceptional growth, creating a significant gap between them and other non-AI-native companies, in terms of valuation and time to raise.

This reset did not mean a return to aggressive pre-2022 pricing, with the exception of a few AI deals. Instead, this reflects heading towards a healthier equilibrium. Though it's not clear sailing yet, angels can still expect many funding rounds to take longer than expected, and companies struggling to raise the full amount they are looking for.

### AI everywhere, confidence nowhere near universal

Artificial intelligence dominated investor interest in 2025, but with a notable undertone of nervousness. Angels clearly want exposure to AI companies, yet many remain wary of hype, defensibility, and long-term differentiation. This tension played out repeatedly in founder Q&A sessions and angel discussions.

The result has been a bifurcation in behaviour. On one hand, AI is now an expected ingredient in many startup pitches, particularly in SaaS, fintech, health and climate. On the other, angels are increasingly cautious about backing AI companies too early, before moats, data advantages, or real customer traction are evident. In 2025, the deciding factor seemed to be growth, with AI companies displaying strong growth metrics winning out in terms of gaining investor confidence.

### A tilt towards later-stage "safety"

In 2025 we saw a clear preference emerging for later-stage deals, which many angels perceive as lower risk. Series A and pre-Series A rounds attracted strong interest, often oversubscribed, while Pre-Seed and early Seed rounds faced longer timelines and more scrutiny.

However, this shift raises a structural concern. While later-stage deals may feel safer, the reality is that the greatest asymmetry still sits at the earliest stages, with the difference in risk only marginal. If Pre-Seed funding continues to thin out, Australia risks starving its future pipeline before it has a chance to mature.

### Looking ahead

Overall, 2025 marked a return to motion for angel investing in Australia. More cheques, larger cheques, steadier pricing, and a more constructive tone between founders and investors. The challenge for the years ahead will be ensuring that renewed confidence does not bypass the earliest founders, where angel capital is often most catalytic, and where Australia's next generation of breakout companies are quietly getting started.

**Cheryl Mack**
CEO, Aussie Angels

06

# The State of Venture Debt

# Five things to know

## 1

### Venture debt is still early, but continues to find itself in key role within startup funding stack

Australian venture debt remains early in its lifecycle, but lenders, banks, and investors consistently describe a market that is still nascent, yet developing quickly through more activity, better education, and broader acceptance. Compared with mature markets, Australia still sits well behind on penetration, but the direction of travel is obvious.

Debt is increasingly viewed as a standard option for startups with a reliable revenue stream, not a niche product or emergency bridge. The shift is less about a sudden surge in volumes and more about normalisation. Founders are more fluent in where debt fits, boards and equity investors are more comfortable encouraging it, and lenders have clearer frameworks on what good looks like.

## 2

### Founders are using debt deliberately, lenders stay disciplined

Founders increasingly use debt for specific execution goals like extending runway to milestones, smoothing working capital, accelerating proven go-to-market, funding acquisitions, or bridging to equity to optimise for timing. Supply is deeper and more competitive than in prior years, but lenders remain disciplined and avoid "last resort" requests.

## 3

### Use cases are converging into repeatable patterns

Venture debt is concentrating around repeatable underwritable use cases rather than one-off structures. The strongest demand comes from companies with momentum that want to move faster. The emerging philosophy is that debt funds execution, equity funds possibility — and debt works best when it backs what is already working.

## 4

### The product landscape is clearer and fit matters more

The market is defining itself around four facility types specialised financing term loans revolving facilities and revenue-based structures. Selection depends on revenue predictability, retention, reporting maturity, and a clear repayment path. Clarity on fit is improving, which helps founders and lenders move faster.

## 5

### Adoption is rising but education and awareness is the unlock

Uptake remains modest amongst companies at their earliest stages, and becomes more common as companies mature and revenue becomes more predictable. Awareness and consideration are rising into 2026 but founder education on its use remains the biggest blocker. Adoption accelerates when debt is used from a position of strength with clear standards and credible proof points.

“

Activity in Australia's growth credit market has increased, even though the market is still relatively nascent. Debt penetration in Australia is way behind the 20-25% of total venture funding seen in US and Europe. The most common use cases I am current seeing in the market are for:

i) managing working-capital swings
ii) acquisition finance, and
iii) extending runway to the next equity round or profitability. Often management teams need time to improve unit economics or build further traction before going back out to market for equity.

Growth credit works best where revenue is predictable and customer retention is high. If a company is still early, has highly variable outcomes, or in a high-burn phase, the use case must be clear and the risks understood.

Education remains important so management teams need to understand the value they are getting from the financing, how it supports their capital plan, and the differences between providers.

**Nick Gainsley**
Partner, OneVentures

“

Activity in the Australian venture debt market has lifted, with a marked increase in founders considering the funding option in H2 this year.

The strongest use cases for Venture Debt are targeted growth initiatives and strategic acquisitions, which aligns with a more disciplined approach to capital management as companies plan their next phase against a backdrop of longer lead times for capital raising. We are also seeing companies exploring a broader array of funding options for their working capital needs.

Across the broader ecosystem there has been a focus on blended finance, particularly for capital-intensive sectors such as climate and clean technology. We see 2026 as a pivotal year to collectively move from talking about these structures to deploying them at scale.

In more mature markets, venture debt has long been part of the capital stack. If Australia follows suit, venture debt will see a sizeable take-up and give high-growth companies an additional, flexible tool to fund scale without excessive dilution.

**Sophie Blyth**
Director, HSBC Innovation Banking

# No longer an experiment but not yet mature

**As venture debt products have matured, founders and investors now see them less as a backup plan and more as a deliberate lever in the funding mix.**

Founders use debt to extend runway, fund proven go-to-market motions and smooth working capital instead of papering over weak business models. They weigh repayment obligations against dilution and control, and they are more likely to take on debt when revenue is recurring, and growth investments already show a clear return. This shift reflects a deeper understanding of how different forms of capital support different stages of company building.

Venture capital investors are also reframing their approach. More encourage portfolio companies to investigate debt as a way to reach key milestones with less equity, preserve ownership and improve fund returns. Lenders report that a handful of larger funds still prefer to write bigger equity cheques for their strongest performers, but the overall direction is toward more active, informed use of debt alongside equity.

These shifts are slowly but surely reshaping the market. Activity levels are rising from a small base, with more lenders active, more competitive product options and more structured conversations about when debt is appropriate. Venture debt is moving from the margins of the ecosystem to a recognised, strategic pillar of the Australian funding landscape.

**31%**

of VCs said they advised portfolio companies to investigate venture debt in 2025


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

“

2025 has been one of the busiest years we've seen. The venture debt market is clearly maturing, with far greater awareness of how non-dilutive capital can help high growth companies reach their next milestone. Australia is still behind the US, where about twenty percent of tech funding is supported by venture debt, but it's closing the gap fast and becoming a more meaningful part of the capital stack. Demand has climbed throughout the year, with inquiries and deployments accelerating into year end.

A big driver has been the shift away from the zero-rate era of 2021 and 2022, when equity capital was plentiful and valuation-insensitive. Today there is more discipline around capital allocation, clearer return expectations, and a sharper focus on efficient paths to scale. Venture debt is stepping into that environment and helping fund working capital, extend runway, support marketing and expansion, and bridge companies to their next equity round. The direction of travel is toward a larger and better educated market, which is a healthy outcome for founders who want to maintain ownership while still growing at pace.

**Kai Jamshidi**
Managing Director, Mighty Partners

# Demand and supply find their stride

**Founders and VCs are approaching venture debt with clearer intent, using it to fund proven growth rather than patch holes. At the same time, a deeper pool of specialist lenders and private credit funds is competing to back the strongest companies.**

## Demand from founders and VCs

Founders use debt to extend runway for proven growth.

Strong preference for preserving ownership and reducing dilution.

Better understanding of when debt fits the capital stack.

VCs more willing to recommend debt for high conviction companies.

## Increasing competition among lenders

More specialist funds, private credit and family offices in market.

Facilities tailored to recurring revenue, working capital and M&A.

Pricing and terms sharpen as competition increases.

Discipline remains high, with lenders walking away from weak use cases.

## Net effect on the market

Higher quality deals where strong companies attract multiple offers.
Venture debt becomes a standard option for post product market fit startups.

"

Investors are realising that private credit is an attractive asset class and the venture ecosystem in Australia is growing and has capacity for more venture debt. In 2025, we have seen more supply than ever at both the earliest and later stages, which is fantastic for the ecosystem because founders and companies can access an increasingly sophisticated and competitive market for debt financing.

In the United States, the venture debt market has real depth, with specialists that focus on a variety of different categories whether its SaaS, health and medtech or hardware and so on. Our experience in the USA suggests a similar pattern will emerge in the Australian market as it continues to mature. As that happens locally, the founders, companies and investors should continue to benefit from a more competitive market and more sophisticated financing options.

**Andy Hudson**
Investment Director,
Partners for Growth

# Venture debt matures; cost misunderstanding hinders growth

**2025 has been a formative year for venture debt in Australia. In my first year as Managing Director at Mighty, a clear pattern has emerged that mirrors what I previously observed in San Francisco, where venture debt has long been embedded in the growth funding toolkit. As markets mature, financing options expand and the focus shifts toward optimising capital efficiency rather than simply accessing capital.**

**Kai Jamshidi**
Managing Director
Mighty Partners

Based on a survey of Australian tech founders, operators, and investors, combined with our own qualitative observations, three clear messages emerge about how the market is evolving heading into 2026.

### Awareness is rising, and translated into intent

Founder familiarity with venture debt has increased meaningfully over the past year. 60% of survey respondents said they are more familiar with venture debt than they were 12 months ago with 49% expecting to actively consider it in 2026 and 46% expecting the mix of capital to favour debt. This points to a more informed and deliberate market.

Importantly, venture debt is increasingly being used to better sequence capital over time. Founders are deploying debt to extend runway, fund clearly defined growth initiatives, and support progression through successive milestones, while keeping capital working inside the business. Used this way, venture debt preserves ownership and compounds growth, rather than a one-off financing event.

### Cost of capital is misunderstood

There is still a fundamental misunderstanding of the true cost of capital between equity and debt. In the survey, founders highlighted venture debt's ability to reduce dilution and lower the blended cost of capital, *yet* high interest rates were also the most commonly cited concern. This tension reflects how differently debt and equity costs are perceived.

Debt costs are immediate and explicit, with interest and repayments visible as soon as capital is drawn. What is often missed is that equity typically carries an implicit cost of around 25-30%, reflecting the return expectations required by venture investors.

Against that benchmark, venture debt can be a lower-cost form of capital, even if its interest and fees feel expensive in isolation. Closing this perception gap will be critical to the market's continued maturation.

### Venture capital firms are increasingly driving adoption

One of the clearest changes in 2025 has been the growing support for venture debt among venture capital firms. Venture funds are increasingly backing debt to improve returns by reducing unnecessary dilution and limiting the need for equity follow-ons, while still enabling companies to reach the same growth milestones.

Rather than defaulting to additional equity, there is now greater emphasis on optimising each portfolio company's capital stack. Because each incremental dollar of equity is expected to generate venture-level returns, venture debt can improve fund IRRs and DPI by allowing less equity capital to be deployed over time while still supporting growth.

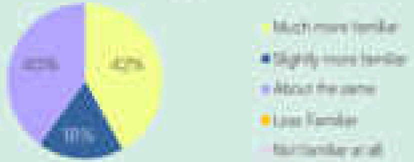
As venture capital firms become more comfortable endorsing venture debt, adoption is likely to accelerate. VC acceptance removes a key friction point in founder decision-making and shortens the education curve across the ecosystem, allowing venture debt to be evaluated as a standard component of growth financing rather than an exception.

### What this means for 2026

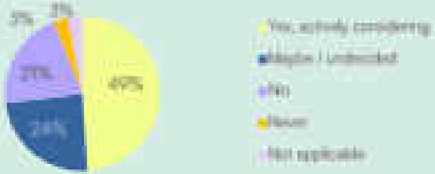
The direction of travel is toward a larger, more educated, and more disciplined venture debt market in Australia. Demand is rising, deployment is becoming more targeted, and both founders and investors are becoming clearer on when venture debt adds value.

## Mighty Partners survey insights

How familiar are you with venture debt or growth credit today, compared to 12 months ago?




Would your business (or portfolio company) consider venture debt in 2026?




How do you expect your company's funding mix to change in 2026?

# The rise of capital stack thinking in 2025

**As venture markets continue to recalibrate through 2025, one theme has become increasingly clear: founders and investors alike are thinking more deliberately about how capital is deployed, not just how much is raised.**

Venture capital remains a powerful engine for category-defining outcomes, but it is no longer the default answer for every stage of growth. Instead, a more nuanced approach to building a capital stack is emerging, one shaped by tightening operating metrics, higher capital costs, and a maturing founder mindset that increasingly prioritises efficiency, ownership, and optionality alongside growth.

This shift is occurring against a backdrop of materially softer SaaS performance benchmarks. Median annual revenue growth declined to 38% in 2025 from 47% the year prior, while even top-quartile companies saw growth compress from 88% to 68%. Sales and marketing efficiency also deteriorated sharply, with the median S&M multiple falling from 6x to approximately 3x year over year, and top performers experiencing even steeper declines. Yet these headline slowdowns mask a more constructive underlying trend: churn has remained relatively stable, revenue churn among top performers has improved, and companies are increasingly closing fewer but larger, higher-quality deals. Demand is not disappearing; it is consolidating into longer sales cycles, larger contract values, and customers with greater lifetime value.

It is within this environment that interest in non-dilutive funding has accelerated across both the US and Australia. At Lighter Capital, this shift is evident not only in the growing volume of inbound demand, but also in the increasing size of facilities founders are choosing to access, with a 25% lift on average loan size compared with 2024. Median loan sizes have risen materially, reflecting not heightened risk-taking, but stronger fundamentals and a more disciplined approach to growth. Today's venture debt borrowers are typically revenue-generating businesses using capital to smooth working capital, extend runway, or support go-to-market execution at a time when equity rounds take longer, require more scrutiny, and often come at lower valuations.

This evolution closely mirrors changes within venture capital itself. As VCs place greater emphasis on diligence, capital efficiency, and sustainable unit economics, a growing cohort of SaaS companies now find themselves well-positioned to layer non-dilutive venture debt alongside equity (rather than replacing venture capital), giving founders the ability to selectively invest growth capital to hit operational milestones, support larger enterprise deals, or grow the bottom line to achieve better equity outcomes when raising future rounds. This is particularly relevant in B2B SaaS, where predictable recurring revenue, stable churn, and high gross margins create natural alignment with revenue-based financing models.

Speed and certainty of capital have also become strategically important. In an environment where equity raises often involve extended processes and multiple partner-level conversations, venture debt offers founders a quick way to unlock growth capital efficiently once revenue traction is proven. For many, this is less about avoiding equity altogether and more about thoughtful capital sequencing, using debt to bridge periods of execution, navigate slower sales efficiency, or support expanding deal sizes without equity dilution.

Founder behaviour itself is also changing. There is growing recognition of the long-term value of control and equity retention, particularly among repeat founders and operators who have experienced multiple funding cycles. This mindset shift is especially pronounced among underrepresented founders. At Lighter Capital, 35% of the Australian portfolio features at least one female founder or CEO, highlighting the appeal of non-dilutive funding for founders who may face structural bias in traditional equity markets or who are especially focused on preserving ownership while building durable businesses. Venture debt, by underwriting revenue performance rather than pattern-matching, provides a more accessible and aligned form of growth capital for this cohort.

Importantly, this rise in capital stack thinking does not signal a retreat from ambition. Instead, it reflects a more mature understanding that not every successful company must follow a hyper-capitalised VC trajectory. In a world of slower growth, higher costs, and increased scrutiny, some of the strongest outcomes may come from businesses that compound efficiently, allocate capital deliberately, and access equity selectively. Venture debt plays a critical role in enabling this flexibility.

From an investors' perspective, this evolution is constructive. Companies that incorporate venture debt tend to be more operationally disciplined, more intentional about capital allocation, and better prepared to navigate macro volatility. For equity investors, these traits often translate into stronger fundamentals, more resilient growth, and ultimately healthier portfolios.
Looking ahead, we expect capital stack thinking to become a defining characteristic of successful founders in 2026 and beyond. Venture capital and venture debt are no longer opposing tools, but complementary ones each most powerful when applied at the right moment. As the market continues to mature, the opportunity lies not in choosing one path over another, but in building financing strategies that align capital with clarity, conviction, and long-term value creation.

Kyle Little
Head of Ecosystem, Lighter Capital

# Common use cases and sector patterns

**Venture debt became increasingly concentrated in a handful of repeatable use cases where lenders and founders could see a clear path to value. The strongest demand came from companies that already had momentum and wanted to use leverage to move faster rather than keep the lights on.**

Founders most often used debt to smooth working capital, extend runway to the next value inflection point or fund specific growth initiatives with a proven return profile. Facilities were structured against predictable revenue and visibility on cash flows. This allowed debt to sit alongside equity without putting the company under undue strain.

On the sector side, lenders were most active in B2B software with recurring and strong gross margins remaining the top priorities. Within software, focus grew on vertical SaaS, infrastructure and data-rich businesses. Demand also appeared in adjacent areas like health, climate, and other regulated categories, where revenue was contracted, and customer relationships were sticky.

The Australian venture debt market, including revenue-based financing, in 2025 is active and evolving. More founders, both bootstrapped and VC backed, are seeking non-dilutive funding as the market becomes more educated about this financing method. It is increasingly seen as complementary to equity rounds, helping to decrease dilution for founders and existing shareholders.

Demand has lifted in the latter half of the year as uncertainty has eased compared to the previous two years. There is less fear about how AI might affect demand and less anxiety about global tariffs. If interest rates decline, there will be even greater appetite. As companies become more confident in their growth prospects, they seek more of this type of funding alongside equity.

I would rate the outlook a 4: the balance of these factors points to continued momentum.

Melissa Widner
CEO, Lighter Capital

| | |
|---|---|
| **Runway extension** | Using debt to add months of runway so the company can reach a planned milestone before the next equity raise. |
| **Working capital** | Smoothing cash flow where revenue is recurring, but billing cycles or payment terms create timing gaps. |
| **Growth initiatives** | Funding proven sales, marketing or product investment where unit economics already show a clear payback. |
| **Bridge to equity** | Bridging to a planned equity round at a stronger valuation or with better traction, rather than raising in a weak window. |
| **R&D refund finance** | Advancing a portion of expected R&D tax refunds to recycle capital into product and engineering work sooner. |
| **M&A or expansion** | Financing acquisitions or market entry where lenders and founders can underwrite a clear uplift in scale or efficiency. |

# How venture debt changes company outcomes (If done well)

**Used well, venture debt does more than plug gaps. It helps strong companies grow on their own terms, with sharper discipline and more control over their destiny.**

The lenders we spoke with increasingly turned down businesses that viewed debt as a last resort and favoured those that showed how leverage would accelerate already working initiatives and be comfortably repaid.

For mature or fast-growing companies, the right facility extended runway, smoothed cash flow and funded acquisitions while preserving ownership for founders and early investors. The table below summarises the main venture debt products in the Australian market and how they were typically used when companies raised from a position of strength.

| | |
|---|---|
| **Stronger discipline** | Debt will bring regular repayments and covenants. This will push teams to forecast accurately, track unit economics and spot problems earlier. |
| **More ownership retained** | Companies can raise fewer or smaller equity rounds, so founders and early investors will keep a larger share of the upside at exit. |
| **Greater funding flexibility** | A credible debt option will give management more paths to reach milestones, bridge to stronger equity rounds or fund acquisitions without resetting valuations. |
| **Healthier scaling path** | When lenders back post product market fit businesses with recurring revenue, debt will support sustainable growth rather than mask underlying weakness. |

> Banks could not back companies that were using free flowing cash to grow, and VCs could not back companies that could not show 10x returns, which was why debt became the solution for tech companies that sat between those poles. The smart VCs were more likely to recommend it when it fuelled growth with no dilution, but there was a conflict when they wanted more equity than they already had, and early companies still carried majority equity risk that deserved asymmetric upside.
>
> Founders managed the risks by not taking too much, by avoiding wasteful projects, and by using debt for short term investments into things that were already working rather than speculative bets. Bridge uses were common when timing mattered and speed to cash mattered. Debt was a tool for execution, equity was a tool for possibility, and good discipline about that split was what kept more of these companies in control of their own outcomes.

**Matt Allen**
Co-Founder and Head of Capital, Tractor

# Which companies were a strong fit for venture debt?

**Venture debt sits alongside equity as a deliberate choice for companies with product-market fit, recurring revenue, and clear growth plans.**

Venture debt works best for companies that have moved beyond experimentation and can demonstrate repeatable revenue, strong unit economics, and disciplined execution. These businesses use debt to accelerate momentum without diluting ownership at a point where equity is particularly valuable.

Across stages, the common thread is predictability, in revenue, cash flows, or contracted receipts. Where visibility exists, venture debt becomes a complementary tool to equity rather than a last resort.

| | Revenue Based | Revolving Credit Facility | Term Loan | Specialised Financing |
|---|---|---|---|---|
| **Who is it for** | Seed plus with recurring revenue and credible backers. | Series A plus, cash flow neutral or positive with predictable receipts. | Series A/B+ with meaningful ARR and committed equity investors. | Any stage with specific, near-term cash inflows such as R&D refunds or large receivables. |
| **Why is it used** | To fund customer acquisition or growth that scales with revenue. | To manage working capital timing gaps through a flexible line. | To finance expansion, acquisitions or runway to the next equity event. | To bring forward expected cash so it can be reinvested sooner. |
| **How it works** | Repaid as a set share of monthly revenue up to a capped amount. | Pre-set limit, interest only on drawn balance, principal revolving. | Interest on drawn amount with scheduled amortisation or a final bullet payment. | Short term advance against verified claims or receivables, repaid on receipt. |
| **What lenders look for** | High margin growth, strong retention and a clear scaling plan. | Predictable cash flow, clean reporting and comfortable covenants. | $3-5M plus ARR, strong net retention and visible paths to refinance or repay. | Low counterparty risk, verified claims and tight finance operations. |

We continue to observe a trend for an increasing number of high-quality businesses looking to consider venture debt as an alternative to equity. Education and an increased acceptance from Founders and Investors are helping to drive that shift.

We have also observed an increasing trend for companies pursuing an acquisition led growth strategy versus investing purely in organic growth. The net effect is a market that feels active, though ensuring these businesses meet our required thresholds, milestones and use case remains our core focus.

**David Marshall**
Managing Director, Marshall Investments

# Closing a debt round in 2025

**Venture debt worked best when founders met with disciplined lenders who had a clear plan and strong underlying metrics. In a market where capital was more selective and external conditions still bit, the companies that raised from strength were those that treated debt as a strategic choice, not a last resort.**

In 2025, venture debt providers ran processes that looked more like equity raises, with structured data rooms, scenario analysis and closer scrutiny of covenants and repayment paths. Lenders engaged earlier and more collaboratively with founders and VCs but stayed selective. They favoured companies with recurring revenue, proven growth levers and a clear rationale for why debt belonged in the capital mix.

External conditions continued to shape activity. Most banks stayed cautious on technology risk, and higher base rates meant debt funds had to deliver strong risk adjusted returns to their own investors even as more private credit and family office capital flowed into the space. In this environment, lenders prioritised businesses with resilient unit economics, efficient growth and sufficient runway so that debt strengthened the balance sheet rather than postponed hard decisions.

The Australian venture debt market in 2025 remains embryonic but is steadily expanding, with venture-backed companies increasingly incorporating debt into their capital mix as part of a more deliberate approach to capital planning.

As equity markets have reopened and valuations stabilised, founders have been far more confident pairing equity with non-dilutive instruments, aiming to smooth working capital and extend runway to the next value-inflection point, avoiding premature equity rounds and excessive dilution. On the supply side, lenders have remained disciplined, pricing risk and underwriting carefully, but overall sentiment is materially stronger than in 2024.

The market is still immature by global standards yet clearly maturing: more founders are choosing to access debt earlier, more deals are being done, and alternative credit solutions — such as Kashcade's R&D-refund-backed loans — are taking a larger share of founder attention as fit-for-purpose products become commonplace and accessible. Used thoughtfully, these instruments give founders time to execute, which is the most precious resource in any growing company.

**Alex Simmons**
Co-Founder and CEO, Kashcade

### Preparation

Approach a venture debt raise like an equity round, with a tight story, clean data and clear visibility on cash flow and repayment. Lenders want organised teams aligned with their boards and ready to engage on structure.

### Purpose

Debt works best when tied to proven growth levers such as scaling sales, funding working capital or financing an acquisition. Using it to fix structural issues or buy time for an unproven model usually kills the deal.


### Metrics

Clear, repeatable performance indicators that demonstrate momentum and downside protection. Predictable revenue, strong gross margins, disciplined burn, and improving unit economics matter more than headline growth.

### Timing

The strongest raises happen while the company has solid runway and options. Engaging lenders early signals control and leaves room to structure a facility that supports growth.

# Headwinds to broad adoption remain

**Venture debt has found its place in the capital stack, but stubborn headwinds continued to slow broader uptake. Lenders saw education, misuse and uneven market practice as the main factors that would determine whether adoption grew sustainably or stalled.**

Founders and boards became more aware of debt, yet many still misunderstood how it worked in practice, how it was priced, and what would happen if things went wrong. Lenders report that a small but visible group of companies continued to approach lenders when cash was almost gone. This reinforced the perception that debt was a last resort rather than a tool for strong performers.

### Persistent education gap

Many founders, CFOs and some investors lacked a clear mental model for where debt fit, how covenants operated and how to compare the true cost of debt with dilution. Lenders spent significant time explaining basics before they could have a serious conversation about structure.

### Risk of lifeline behaviour

Providers remained wary of companies that sought debt to buy time for unproven models or to avoid hard decisions on burn. These situations were difficult to underwrite and, when they went wrong, damaged sentiment toward the whole asset class.

### Uneven practices from new entrants

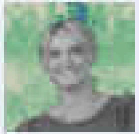
The influx of private credit and family office capital was mostly positive, but some newer lenders were seen as underestimating downside risk or offering loose terms. Poorly structured deals and messy workouts could create negative headlines that slowed adoption for everyone.

### Macro and return pressures

Higher base rates and attractive alternatives in traditional credit meant venture debt funds still had to deliver strong risk adjusted returns to their own investors. That kept underwriting disciplined and limited flexibility on pricing or structure, particularly for borderline credits.



> 2025 has brought much more activity to the debt market than the previous couple of years. We are seeing a lot of larger deals and, importantly, more educated founders look to diversify their capital mix. Growth is back on the agenda after a more conservative period focused on survival and sustainability, and that shift is flowing straight into deal flow.
>
> Funding is going into acquisition activities, from acquiring new businesses to acquiring more customers and opening up new markets. Founders who understand their options are choosing to blend instruments rather than default to just one, as they want to grow without unnecessary dilution. The tone is different to last year, with momentum replacing hesitation and decisions being made faster. That change is visible in both the size of facilities and the confidence to use them.



**Jodie Imam**
Co-Founder and CEO, Tractor Ventures

# Looking ahead: what could unlock the next wave of adoption

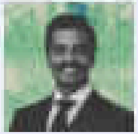
**As venture debt matures, the opportunity is to scale access without diluting the discipline that underpins its value. The next phase of adoption will be driven by shared standards, clearer education, and proof that debt can support growth without compromising outcomes.**

As more founders, VCs and lenders engage with debt, the goal for the lending industry is to scale without losing the discipline that makes it valuable. A bigger market built on weak structures would quickly erode trust and produce negative outcomes, while one built on shared standards and clear success stories can deepen its role in Australian startup funding.

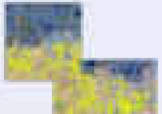
| | |
|---|---|
| **Founder Education** | Simple playbooks and case studies that show when debt fits, how to structure it and how to avoid lifeline behaviour. |
| **Clear Standards** | More consistent expectations on covenants, reporting, and how lenders handle downside scenarios, so founders know what good looks like. |
| **Proof Points** | Transparent examples of Australian companies that used debt well, with outcomes that highlight ownership retention and stronger financial discipline. |
| **Healthy Competition** | A mix of experienced funds and disciplined new entrants that keep pricing fair while maintaining strong underwriting and investor protections. |

Venture capital investors are increasingly encouraging venture debt in their portfolio companies. The driver is straightforward: it optimises the borrower's capital structure and enhances the equity returns.

General borrower enquiry volumes continue to be strong in 2025 driven by three key factors: organic growth in the addressable market; more competition for venture capital; and, falling valuations that make equity more expensive. Against that backdrop, venture debt is a practical way to keep executing on growth opportunities without taking outsized ownership dilution.



**Patrick William**
Co-Founder and Managing Director,
Rain Capital



07

# The State of Accelerators and Venture Studios

# Five things to know

## 1

### Accelerators and venture studios now shape startup quality, not just push new startup volume

Accelerators and venture studios have become core infrastructure in the earliest stage of the ecosystem. Their role has shifted from broad exposure and education to actively shaping founder quality, capital readiness, and execution discipline. Programs now optimise for long-term outcomes rather than short-term demo day wins. Founders self-select into models that match their needs, whether cohort-based acceleration or deep co-founding support. This has sharpened the distinction between accelerators and venture studios, with limited overlap in value proposition.

Both models increasingly prioritise traction, commercial clarity, and capital efficiency. Success is measured over years, not weeks. As a result, these platforms materially influence what reaches the venture funding market and how prepared it is.

## 2

### Accelerators more specialised, outcome driven, and selective

Generic programs are no longer defensible as founder expectations rise. Leading accelerators now focus on specific sectors, stages, or founder cohorts where targeted support improves outcomes. Program design has shifted toward customer traction, regulatory milestones, and investor readiness rather than curriculum completion.

## 3

### Venture studios attract experienced founders seeking execution partners

Studios increasingly work with domain experts, operators, and repeat founders. These founders value speed, integrated teams, and shared ownership over agency style support. AI has further strengthened the studio model by compressing build time and reducing early capital needs.

## 4

### Capital scarcity is pulling founders toward traction and revenue first models

With early equity harder to access, both accelerators and studios emphasise commercial proof earlier. Non-dilutive capital, grants, and customer revenue now feature more prominently in early plans. Investor readiness is defined by execution evidence, not storytelling polish.

## 5

### AI accelerates building, but adoption and commercial validation now matter more

AI has dramatically reduced the cost and time required to build early products. As a result, engineering is no longer the primary bottleneck for most earlystage teams. The constraint has shifted to customer adoption, trust, and proof of real value. Accelerators and venture studios increasingly focus on problem definition, ROI clarity, and go-to-market execution rather than technical capability.

# Evolving the venture pipeline

**Founders now self-select into programs that match their needs. The distinction between accelerators and venture studios is sharper, as each model leans into its comparative advantage.**

While ultimately having a similar objective and role in the earliest stage of venture building, the approach and value propositions have limited overlap. Accelerators support a broad set of early teams to test ideas, build momentum, and prepare for external capital. Venture studios start earlier or in parallel by originating ideas internally or partnering with select founders, then building a small number of ventures with deep, hands-on support. Together, they help shape the volume, quality, and diversity of new startups emerging across the ecosystem.

### Accelerators — "prepare and project"

- Short, fixed-term programs targeting Pre-Seed and Seed ventures.
- Optimise for cohort learning, speed, and helping founders validate customers, refine positioning, and become investor-ready.
- Rely on mentor networks, structured content, alumni communities, and modest cheques (or non-dilutive support) to derisk the next funding round.

### Venture studios — "co-found and build"

- Operate as co-founders from idea to early scale, often staying involved until sustainability or exit.
- Provide in-house ideation, product and engineering teams, go-to-market capability, governance, and capital as part of a single integrated offering.
- Tend to run only a handful of ventures at a time, trading scale for depth and larger equity stakes per company.

> Progress is uneven by design. Some teams find their moment during the accelerator, while others hit it two or three years later. This year we saw less immediate success while companies were with us, followed by a marked lift once they left. Our job is to set them up for what comes next, not chase short-term wins that do not last.
>
> One team looked stuck in the program because their technology was not quite ready. They went door to door with smaller customers, signing three or four at most. While it looked slow, it became a test bed to prove their value at a small scale. With that proof, they could then approach enterprise with confidence. Real traction often looks like slow, gritty learning before it suddenly looks like scale. That is why we measure progress over years and define success at both the founder and startup level.

**Jason Hickey**
Director of Program Strategy and Design,
University of Melbourne

# Accelerator pipelines: healthier and more mature

**Application volumes remain strong, but the composition is changing. Founders are arriving better prepared, more focused and more selective about where they seek help.**

Many accelerator leaders reported record or near-record application volumes, even as founders grow more selective about which programs merit their time. Climate, digital health and deep-tech accelerators in particular see strong and sustained demand, with acceptance rates often below 10%. This reflects both sector growth and the scarcity of high-quality, sector-specific support.

A larger proportion of applicants now arrive post-MVP with early revenue, grant funding or corporate pilots already in place. In deep tech and health, programs increasingly engage teams that emerge from research labs, clinical environments, or technical PhD programs. These teams bring strong scientific foundations but need commercialisation expertise, regulatory guidance and investor-readiness support.

The sector mix is also shifting. Climate and advanced manufacturing startups often blend hardware, software and AI. Disability and health-focused programs attract mission-driven founders who solve complex system-level problems. University ecosystems report more physical product ventures among younger founders who prefer tangible innovation in saturated software markets.

Team composition continues to mature. More co-founder teams apply, and targeted sourcing has increased female representation. More applicants arrive with prior startup or corporate innovation experience. This creates increasingly sophisticated cohorts year over year.

> Our focus has narrowed to fewer verticals and ecosystems to build subject matter expertise, capability, and distribution advantages. While we are not sharing specific verticals, this shift has changed how we evaluate opportunities. We seek out problem statements and team members with experience that is directly relevant to those verticals. The growing pool of overseas talent also brings more diversified vertical exposure, which helps.
>
> Even with this intentional focus, the usual startup headwinds remain, including the drag from rising regulatory demands. This is why we prefer to avoid highly regulated industries when we can and lean on networks of subject matter experts to maintain momentum. Focus does not remove risk, but it concentrates what we learn and how we distribute it. In this phase, depth helps more than breadth.

**James Edwards**
CEO, Remarkable

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We saw substantial growth in the Techstars program in 2025. We had 560 applications — up from 390 last year — with the mentor base commenting on the material lift in quality of the founder. Pleasingly, of the 150 first round interviews we did, 38% of founding teams included women and 61% were racially or culturally diverse.

During the program, one of our major focuses has been teaching the skill set of leadership. Investors expect founders to go from idea to IPO, but most never receive any training in this skill set. At Techstars, each founder receives one-on-one and group based executive coaching, we've brought in speakers from the special forces and elite sport, and we teach the practical rhythms of leadership such as hiring and coaching staff during the program.

**Christie Jenkins**
Managing Director, Techstars

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Universities are the birthplace of innovation and this year UNSW received the highest ever number of applications to our accelerator programs across All Industries, Health, Climate and Defence. The pool featured a particularly high share of deep tech ventures, hardware startups and AI companies.

As Australia's only philanthropically funded accelerator, these startups received financial support, free access to a pool of more than 500 volunteer mentors, streamlined access to university resources, from talent and PR to prototyping and R&D infrastructure. Alumni from recent UNSW accelerator programs have raised over $200 million, created 500 jobs and seen three companies acquired.

Across cohorts, 40% of the startups funded have women in the cofounding team. Sustaining this approach draws on four sources of funding: philanthropy, the university, government grants and partnerships with leading organizations like The George Institute for Health.

**Dina Titkova**
Senior Manager (Startups), UNSW Founders

# Accelerator program design shifts from curriculum to outcomes

**Accelerators are moving away from broad, lesson-heavy curricula and toward tightly designed experiences that prioritise customer traction, commercial clarity and founder capability. Rather than teach everything to everyone, leading programs now deliver targeted, stage-specific interventions that help teams make real progress quickly.**

## The old: Curriculum-led accelerators

- Linear, one-size-fits-all programs that give every founder the same curriculum.
- Heavy emphasis on pitch preparation and a demo day as the centrepiece.
- Broad cohorts that mix idea-stage, MVP-stage and growth-stage teams with minimal differentiation.
- Static content delivered regardless of industry, readiness or founder capability.

## Today

- **Just-in-time learning:** Programs deliver content only when founders need it, which ensures relevance and immediate application.
- **Traction before capital:** Many accelerators structure early weeks around customer discovery, sales and product iteration, and they intentionally postpone investor conversations.
- **Stage-specific tracks:** Programs separate pre-product, MVP-ready and revenue-stage companies to avoid mismatched learning environments.
- **Individualised development plans:** Each startup receives a tailored roadmap that covers commercialisation, regulatory steps, data room readiness or technical validation as needed.
- **Outcome-led programming:** Success metrics emphasise customers signed, pilots launched, revenue generated, or regulatory milestones achieved, rather than pitch polish.

> Over the past few years, the overall quality of applications has remained strong. We continue to see a healthy mix of teams: a few exceptional innovators, a vibrant middle cohort, and early-stage teams just beginning their journey. The trend has been subtle but encouraging: while total application numbers dipped ever so slightly, the majority of applicants demonstrate solid potential, and more are steadily advancing through the innovation pipeline.
>
> This reflects several positive forces. Universities, biodesign programs, and clinical spaces continue to cultivate founders with a strong sense of purpose and direction, helping maintain a high standard of quality. At the same time, the growing number of specialised accelerators and generalist programs allows teams to find the programs that best suit their needs, strengthening alignment and outcomes. While external factors, such as funding conditions and cost pressures, influence some founders' timing, the ecosystem remains vibrant overall. Our role is to meet more teams where they are, helping them gain momentum and reach their full potential.

**Makenzie Thomas**
Program and Community Coordinator,
Medtech Actuator

# Specialisation is becoming the dominant accelerator model

**Outside a small group of large-scale, legacy accelerators, most programs now specialise to deliver value that generic support cannot. This shift is driven by founder expectations, investor demand for sector-specific expertise and the rise of complex problem spaces such as climate, deep tech and health. Specialisation is no longer a differentiator. It is becoming the default operating model.**

**Why specialisation is accelerating:**

**Generic content is no longer defensible.**
With startup education widely available online, accelerators must offer expertise founders cannot access elsewhere.

**Investors are seeking sector depth.**
In climate, health, deep tech and disability, investors expect accelerators to deliver founders who understand regulatory pathways, technical readiness and commercial feasibility.

**Founders want domain-relevant peers.**
Cohorts built around similar challenges create stronger learning loops and better founder experience.

**Complex sectors require specialised support**
These verticals involve regulatory hurdles, grant pathways, long adoption cycles and higher technical complexity. Targeted accelerators materially change outcomes in these areas.

## Where demand is strongest

**Security and critical infrastructure**
trusted networks, specialist buyers and high-barrier procurement.

**Disability and inclusive technology**
standardisation, procurement pathways and lived-experience networks.

**Deep tech and research**
commercialisation scientific translation, prototyping, non-dilutive capital and technology readiness levels.

**Climate and energy transition**
hardware plus AI, decarbonisation, electrification and grid tech.

**Highly regulated industries**
access to regulators, experienced advisors and governance support.

**Digital health and medtech**
regulation, clinical validation, data governance and global expansion.

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In deep tech, capital only flows when the right foundations are in place. The raises we've seen this year share a common thread: companies like Morse Micro, Syenta and Furolink were able to access parts of the specialised infrastructure, talent and expertise their science required, even when those resources were dispersed. One thing Cicada has always focused on is helping founders plug directly into the specialist facilities, technical operators and industry experts their innovation demands, so progress is tied to real commercial and deployment pathways rather than exploratory effort.

The pressure point now is pace. Australian deep tech founders are competing with teams around the world who can step straight into scale-ready facilities and global markets. Australia's advantage is our science and our people; our disadvantage is the speed at which we commercialise and scale value generating businesses. If we want more deep tech success, we need a national environment that removes friction, pairs capability with patient capital, and supports Australian innovators win on the global stage.

**Liza Noonan**
CEO, Cicada Innovations

"

Digital and connected health is an international sector, increasingly the third pillar alongside biotech and medtech. It combines the regulation and rigour of drug and device development with the speed and agility of a tech company. Many of these companies are pre revenue at the moment they need the most investment, which is a very different proposition for many investors. Conversely, fast scaling SaaS based companies look different when viewed through a health investor lens.

It is a unique space where value inflection points are constantly moving. We have not yet seen a clear, repeatable path to market in digital health, which means there is still much to be learned. The sector is one of the fastest growing and fastest evolving, so staying current requires close attention to markets, exits, and failures as well as successes.
Until repeatable paths emerge, founders and investors will need to navigate this complexity with focus and patience.

**Bronwyn Le Grice**
CEO and Managing Director, ANDHealth

# Venture studio candidates: experienced and diverse

**Venture studios reported a more selective but higher-intent pipeline than in the last funding cycle. Inbound volume is lower than during the boom, but founders now arrive with clearer sector expertise, defined problem spaces, and a preference for co-founder level support over agency style execution. Many are domain specialists who understand their market but lack the technical or product capability to move quickly, which makes the studio model appealing.**

A growing share of founders have meaningful experience. They include senior operators from scale ups, corporates, or consultancies, immigrant or returning Australians with international exposure, and researchers wanting to commercialise IP without full time CEO responsibilities. Studios also see more AI native talent, which shifts the studio's value from building the product to designing adoption and go-to-market pathways.

Founder motivations are changing. Interest is rebounding as studios show credible track records and founder-friendly terms. Applicants are more deliberate and seek deep involvement, shared ownership, and long-term alignment rather than transactional project work.

Sector mix is diversifying but remains grounded in segments where studios have advantages. These include B2B verticals, regulated categories, and research-rich domains. The pipeline reflects founders who value speed, access to distribution, and integrated execution.

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The full cycle of the venture studio model is becoming visible for the first time, with our earlier ventures now maturing into large successful companies. We're seeing that visibility translate into greater confidence from both founders and funders, and our ventures have happily raised from tier one investors across the region this year.

Inside the studio we are at full capacity, building across agtech, transport, medtech, PR and retail. AI has shifted how we work at the earliest stage. A Staff Engineer using LLM-supported coding tools can now operate at a level that once needed a small cross-functional team.

We've had to trudge our own path with the venture studio model for a while, but it feels like we are coming out the other side and the positive sentiment shift we saw last year is continuing to hold. We're excited for what we can build (and how fast) in 2026.

**Poppy Trewhella**
Partner, Paloma

# Funding headwinds make traction and revenue the priority

**With pre-revenue funding harder to secure, founders are being pulled toward models that reward early commercial proof over storytelling. Accelerators and venture studios now double down on traction, revenue milestones and grant pathways to help teams build resilience before they approach investors. This shift is repositioning what investor-ready means in Australia.**

## Accelerators

1. **Traction as the primary signal:** Founders are pushed to show customer engagement, early revenue or validated pilots before seeking equity.
2. **Greater reliance on non-dilutive capital:** Accelerators guide founders toward grants, philanthropic funding and research pathways to extend runway. This reduces dilution and helps teams hit investable milestones.
3. **Structured support for complex fundraising:** With fundraising harder, accelerators invest in deeper education on due diligence, deal terms and investor expectations. This helps founders run faster, cleaner processes.
4. **Regulatory and feasibility milestones matter:** In regulated or technical sectors, feasibility, compliance progress and technical validation now sit ahead of investor interest. Programs orient around these milestones rather than generic content.
5. **Adaptability in difficult climates:** Founders are assessed on traction and on their ability to plan, prioritise and pivot under uncertainty. Accelerators emphasise resilience and discipline as predictors of fundability.

## Venture Studios

1. **Revenue-first venture creation:** Studios aim to reach early revenue before seeking external capital. They treat traction as the clearest indicator of product-market fit.
2. **AI-enabled capital efficiency:** AI compresses build time and reduces engineering cost, so studios reach customer-ready products with smaller teams. This supports capital-light validation models.
3. **Viability of niche and micro-SaaS:** Studios back focused, profitable verticals that do not need unicorn-scale outcomes. These businesses can deliver sustainable returns with far less capital.
4. **Selective entry into regulated markets:** Studios avoid heavy compliance domains unless they have expert support. This protects early ventures from regulatory cost blowouts.
5. **Mentorship anchored in commercial discipline:** Advisors orient founders toward customer acquisition, user growth and monetisation. Storytelling matters less than proving real demand and repeatable use cases.

> The standouts in our recent cohorts are founders choosing a bootstrap, customer-revenue-first model. We have seen teams go from zero to $40k in monthly revenue, then grow to $100k, $200k, or even $300k per month from customers instead of venture capital. Early capital feels harder to access, and many are learning from the previous generation of local bootstrap founders to prioritise sales and growth over raising.
>
> The challenges are real: without a war chest, cash flow dictates the plan and limits experimentation. The upside is much closer customer conversations, because revenue is the lifeblood. Most intend to bootstrap until a genuine need for hypergrowth emerges, such as entering new markets, rather than chase Pre-Seed rounds that feel too time-consuming for the payoff. The trade is less optionality for more customer truth, and right now many are choosing the latter.

**Tyson Jennings**
iLab Accelerator Manager,
UQ Ventures

# AI accelerates build speed but raises new challenges

**AI has dramatically lowered the cost and time required to build early products, enabling founders to test ideas with unprecedented speed. But as engineering becomes easier, the real work shifts to earning trust, driving adoption and navigating a fast-moving technology landscape.**

AI is transforming the early-stage landscape by making product development faster and more resource-efficient, enabling startups to reach MVP and iterate with minimal engineering effort. Accelerators and venture studios now see that the real constraint is not building the product but getting customers to use it.

Many founders overestimate how ready organisations are to adopt AI-enabled tools, and program leaders report a consistent gap between technical capability and buyer confidence. This pushes support models toward problem-first positioning, ROI clarity and practical go-to-market testing rather than technology features.

Rapid shifts in AI tooling also force founders to update their skills, and accelerators and studios embed AI into their delivery to help teams keep pace. Their role is evolving. They help founders navigate adoption risk, validate commercial value and build trust in markets that move faster than most customers can.

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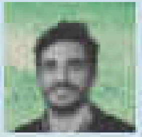
There are definitely fewer prospective startup teams and founders than there were three or four years ago. That said, we are seeing more inbound interest to work with us, either as founders or as collaborators. My gut is that a few years of economic uncertainty had people hunkering down for stable income, especially in larger cities. As the outlook improves, they are ready to try other things.

On quality and skills, there has been a clear rise in people who say they have AI capabilities, from data science to building agents, workflows, and automations on existing models. The usual mix of past founders, technical operators, and industry talent continues to show up. What has changed is the influx of people who want to explore AI opportunities and feel they have developed useful expertise. The pendulum is shifting from caution to exploration, and AI is where that energy is headed.



Kim Heras
Partner, 25Fifteen

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Startup applications are up by ~40% year-on-year, hitting a record 850 for the current cohort that's kicking off in January. The sector mix stayed roughly 40% hardware and 60% software, yet AI clearly accelerated with over 50% of companies building with AI. Over the last 6 years, 40% of our applications have been from women-founded companies and 42% of investments are into women-founded companies.

There still aren't enough people taking bets on unproven founders at the very beginning. As the VCs in the ecosystem grow and expand their focus to later stage, we see our role as investors hyper focused on the earliest stage as more important than ever.

Phoebe Pincus
CEO, Startmate

“

Despite the startup ecosystem being flooded with accelerator programs, we continue to see a strong and steady flow of applications due to our specific climate tech focus cutting through the noise.

Our sector focus results in programs where participants are exposed to investors, lawyers, founders, and other professionals with relevant climate tech experience, bypassing the need for translating generic startup advice to their particular context.

Everyone in the workshops, both the founders and the speakers, all operate in adjacent sectors, and therefore often navigate similar challenges inherent in climate tech. In addition to the highly relevant targeted advice from the speakers, this also amplifies peer learning, one of the key benefits of participating in an accelerator program in the first place.

We select startups developing proprietary technologies that decarbonise their respective industries, assessing applicants for traction, team, IP, scalability, and market opportunity, an approach that keeps our pipeline aligned to real commercial potential and investability.

Audun Fiskerud
Queensland Lead, Energylab

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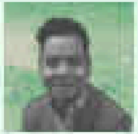
The startups that benefit most come in with a series of hypotheses they want to test. Those who arrive with a fixed view of their solution and are less open to feedback and new ideas tend to be more challenged. A key part of our program is pushing founders to do real customer development with potential customers who are not friends or family, across primary and secondary markets. Deeper customer development earlier means fewer resources are wasted on an MVP; even at the MVP stage, it is often better to do things manually or semi-automated so key assumptions can be tested.

A recent team began with a hypothesis about using software for the optimisation of a personal space problem. After mentor feedback and customer conversations, they realised that pursuing a business market would provide greater customer stickiness, greater income, and much clearer objectives. They were able to get far more traction with that pivot than with their original path.



Benjamin Chong
Co-Director, Founder Institute Australia and New Zealand

> This year's accelerator included an intentional focus on public transport, working with two startups developing technologies that can make journeys possible or vastly improved experiences for people living with disability. These solutions have clear social and economic benefits, and when technologies are available that can remove hazards, not adopting them is increasingly hard to justify. Yet transport providers operate within complex systems and tight budgets, which can limit their ability to explore early-stage solutions.
>
> In this context, providers often rely on minimum standards — even when those fall short of ensuring accessible public transport to which people have a human right. This misalignment means short-term constraints overshadow long-term gains for people with disability, society, and the economy.
>
> Solving problems like these requires sharp focus, deep expertise, and broad input from stakeholders — and that was our approach this year. By concentrating on public transport, we developed more actionable strategies for how agile startups can work productively with government and major transport providers and strengthened our understanding of the steps needed for promising early-stage technologies to reach the many people who rely on public commuting.
>
> More broadly, the federal government's $54 million investment in Synchron is a strong sign that disability tech is becoming a priority for capital — and momentum from here is only set to grow.

**Zara Fulton**
Head of Investment,
Remarkable, Cerebral Palsy Alliance

# What “good” looks like for accelerators now

**High-performing accelerators are moving past the original one-size Y Combinator pattern. They are selective, specialised and measured as much by post-program founder outcomes as by the immediate demo day pop.**

- **Narrow theses, broad sourcing:** Clear sector or demographic theses combined with proactive outreach, including to under-represented founders, to ensure the best teams are aware the program exists.
- **Customer and revenue milestones baked in:** Programs set milestones around customers signed, revenue achieved, pilots launched or studies initiated, not pitch quality.
- **Deep expert networks:** Mentors include practising clinicians, climate infrastructure investors, regulatory specialists and exited founders, which enables specific feedback and introductions.
- **Multi-year engagement:** Success is tracked via follow-on raises, regulatory approvals, jobs created, markets entered and impact metrics such as patients reached, tonnes of emissions addressed and people with disability impacted. Tracking often continues years after program completion.
- **Founder-centric experience:** Shorter programs, high NPS, strong peer communities and an explicit focus on leadership, mental health and resilience are now table stakes for top-tier accelerators.

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After many years delivering from a pre-planned curriculum, I realised it's much more important to meet the teams where they are at and put the content into context. Now we teach only what a team needs when they need it.

This does put a lot of pressure on us to adapt. We keep the focus on our three tests of investor readiness: is the opportunity big enough, is there a strategy to reach it, and can this team execute on that strategy? This is unconventional, but as an example, no one ever secured capital because their data room was beautifully structured while the business was weak.

**Peter Laurie**
Director, Inductive

“

Over the past nine years, Plus Eight has invested more than $4.4 million into Western Australian startups, helping build companies now valued at over $450million. This investment has directly contributed to creating 835 jobs and generating more than$100 million in annual revenueacross our alumni. In addition, portfolio companies have attracted $24.7 million in follow-on investment, demonstrating strong growth and investor confidence.

Plus Eight continues to adapt its programs to be technology-enabled but human-led, offering founders Seed funding, mentoring from experienced entrepreneurs, and access to global markets through international trips to innovation hubs such as Austin, London, San Francisco, and Singapore. The continued growth of our portfolio shows that sustained early-stage support is critical to driving long-term economic value and helping WA founders scale globally.

**Juliette Lucas**
Program Lead, Plus Eight Powered by Spacecubed

# What "good" looks like for venture studios now

**As more studio-born ventures raise meaningful rounds and demonstrate strong growth, traditional concerns about "agency-built startups" are fading. VCs increasingly treat studios as trusted sources of de-risked, investor-ready companies, provided the model is transparent and aligned with founders.**

- **Depth over breadth:** Running a small number of live ventures at a time to stay embedded as product and founding teams, rather than spreading core talent across many projects.
- **Clear sector and distribution advantages:** Focusing on verticals where they have proprietary assets such as data, corporate channels, regulatory know-how or research networks, so they can de-risk adoption, not just build faster.
- **Transparent, founder-friendly economics:** Moving away from opaque fee structures toward equity-only aligned incentives, with cap tables designed to be attractive for later-stage investors.
- **AI-native execution:** Treating AI as infrastructure, standard in product, design and operations, which lets teams hit traction and revenue milestones quickly while keeping headcount lean.
- **Hybrid models can create value:** Some studios are creating separate services arms to work with enterprises on AI and product experiments. These feed insight and deal flow back into the core studio without diluting focus.

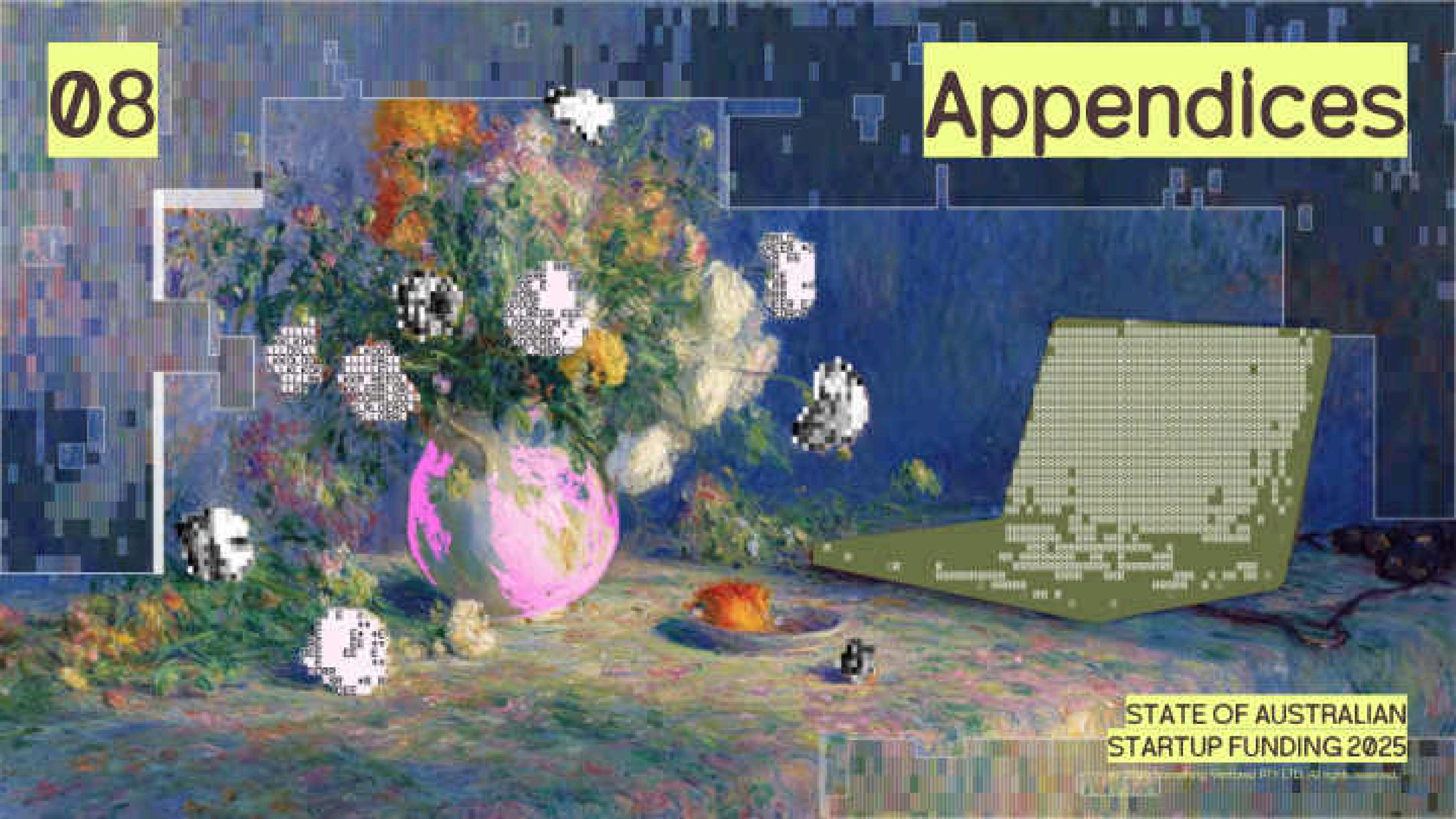
"

It has been a positive year, with most of the companies we helped launch successfully raising money and growing their users and revenues. A big contributing factor is a high willingness from customers to try new things. People have adopted new workflows in their personal and professional lives, and that is fostering a keenness to try new products. When that appetite for novelty meets fast product development cycles, it creates significant room for startups to gain traction.

While founders are keen, users are the most important part of the equation. This is where mentorship from subject matter experts becomes key, as it keeps founders focused on the critical goals of growing users and revenues. That sharp focus helps teams decide what to build, what to cut, and when to push harder on growth. In a year defined by widespread experimentation, staying anchored to users and revenue is what turns early momentum into durable results.

**Michael Frazis**
Founder, Ape Venture Studio

# 08 Appendices



STATE OF AUSTRALIAN STARTUP FUNDING 2025

# Thank you

**This report would not be possible without the generous support of countless individuals and organisations who helped make it happen.**

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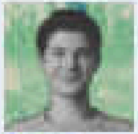
**Rochelle Ritchie**
Senior Marketing Manager
**Folklore Ventures**

**Divine Aaron**
Investor
**Folklore Ventures**



**Orson Cairns**
Investor
**Folklore Ventures**

**Simon McKendry**
Director
**Cut Through Venture**

**Kristine Pangilinan**
Research Associate
**Cut Through Venture**

**Cut Through Venture Summer Associates**

**Esha Arora**
Investor Relations
**Five V Capital**

**Harveen Singh**
Accountant
**William Roberts Lawyers**

**Design Agency**

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# 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 participants in the Australian startup ecosystem, 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, with 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.

Third-party large language models from Open AI and Google Gemini were used for company taxonomy assessment.

### Survey data

Survey data was collected from:

- 175 venture capitalists and other professional startup investors
- 420 startup founders
- 245 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 verify their authenticity. The survey tool used was JotForm.

### Interviews

The report team conducted 135 AI-powered interviews with investors and ecosystem leaders on the basis that the perspectives they gave were given without attribution. These insights helped shape the report's narrative. The interview tool used was Voice Panel.

### Images

Images in this report were sourced by Refract Group.

### Disclosure

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The editor of this report, Chris Gillings, is an investor at Five V Capital. He is an investor in some of the startups and a Limited Partner in some of the funds mentioned in this report.