



Venture Capital & Growth Equity: Navigating Market Shifts and Emerging Opportunities

June 2024

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Navigating Market Shifts

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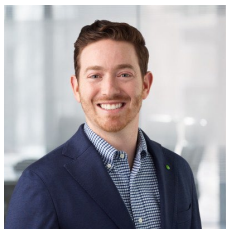
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Presenters:

Jon Wolkin : MD, Deloitte Ventures (Exp: Teachers, Tech Cos, Telus Ventures)



Alexandre Baril: Partner, Canadian Leader M&A Transaction Services (Exp: Bell, Bell Ventures, SAAS & Media M&A, Corp Dev). Husband of Catherine

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Navigating Market Shifts

Rapid Scalability Fueled by Globalization

→ Digitization → AI

It is taking less time than ever to become a \$50B+ company

Tech Companies Valued at >\$50B	Current Valuation (\$B)	Founding Year	First Year Achieving \$50B Valuation	Time to Achieve \$50B Valuation	
SAP	\$305	1972	2001	29 Years	Pre-2000s Cohort Median: 26 Years
Microsoft	\$2,826	1975	1995	20 Years	
Oracle	\$416	1977	1999	22 Years	
Adobe	\$189	1982	2016	34 Years	
Autodesk	\$53	1982	2020	38 Years	
Intuit	\$162	1984	2018	34 Years	
Cisco	\$247	1984	1997	13 Years	
Dell	\$63	1984	2019	35 Years	
VMware	\$61*	1998	2017	19 Years	
Salesforce	\$262	1999	2015	16 Years	2000s Cohort Median: 16 Years
Atlassian	\$57	2002	2020	18 Years	
Palantir	\$179	2003	2020	17 Years	
ServiceNow	\$162	2004	2019	15 Years	
Shopify	\$121	2004	2020	16 Years	
Palo Alto Networks	\$115	2005	2021	16 Years	
Workday	\$65	2005	2019	14 Years	2010+ Cohort Median: 11 Years
Stripe	\$92	2010	2021	11 Years	
CrowdStrike	\$77	2011	2021	10 Years	
Applovin	\$81	2012	2024	12 Years	
Databricks	\$62	2013	2024	11 Years	
OpenAI	\$300*	2015	2024	9 Years	
Anthropic	\$62	2021	2025	4 Years	

Notable Observations

AI supercharges growth through efficiency gains and enhanced value propositions

Abundance of capital and investor appetite at various stages of growth → Venture is becoming a more mature asset class

Valuation methodologies favouring growth and future potential over profitability

The Art and Science of Valuation

Since discussing NVIDIA's stock last June, it has outperformed the S&P 500 but has not broken the \$200 mark due to export restrictions and trade uncertainty keeping a lid on sentiment

NVIDIA Corporation (NVDA)

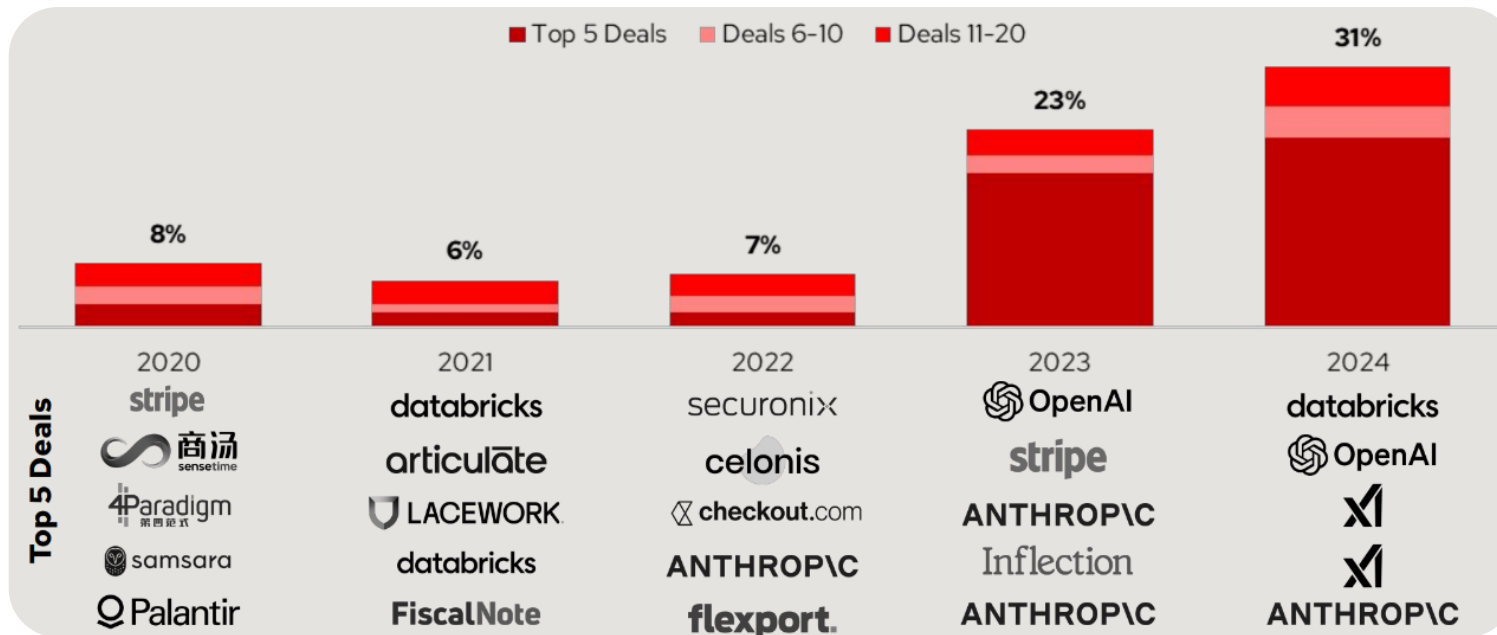
43.5% price return over 1.00 years - 43.5% CAGR



Elevated Concentration of Venture Capital \$'s

Venture dollars are becoming increasingly concentrated in a subset of industry leaders

Top 20 largest VC deals as a % of total capital invested



Notable Observations

The top 5 deals have disproportionately been responsible for the most capital invested since 2023

AI-native companies dominate the top 5 deals in recent years

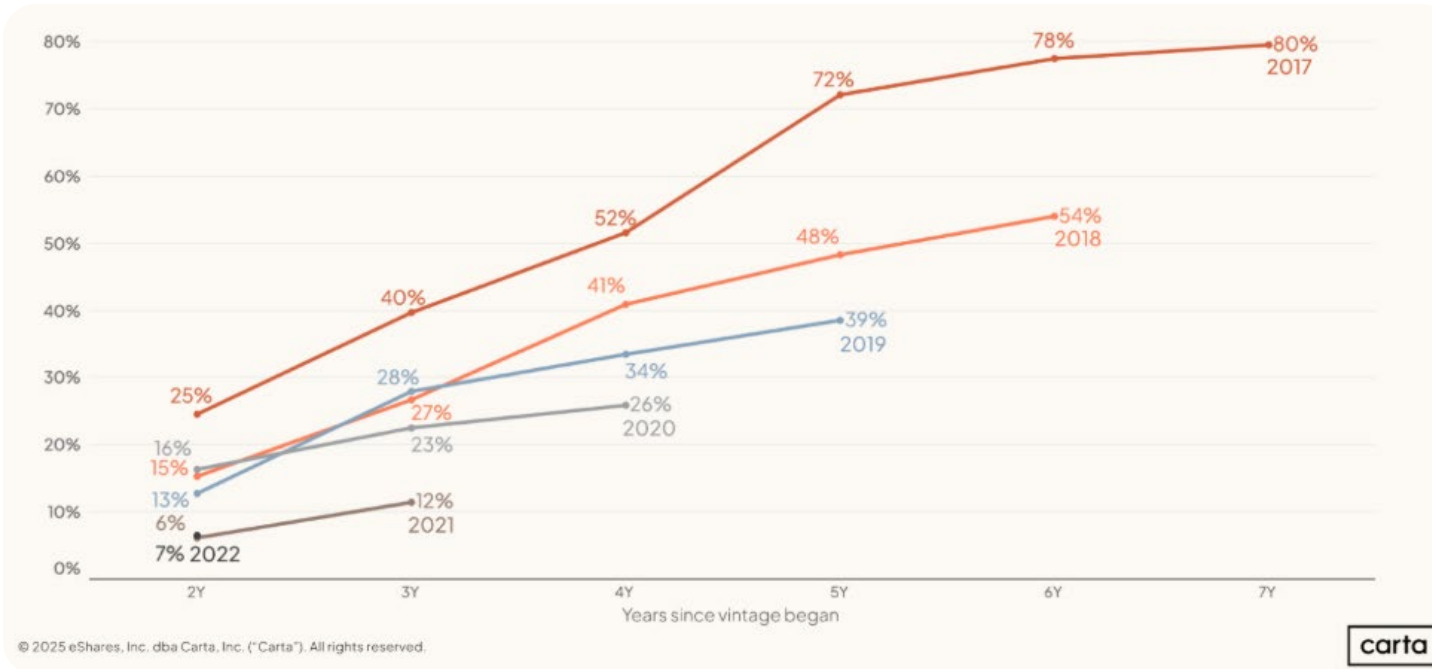
- **Investors willing to underwrite** future potential and growth prospects

Mega Funds and Corporates chasing outliers and strategic enablers – differentiation

Exit Ramps More Limited In Recent Years

Newer vintage funds are taking longer to distribute capital

Percent of funds with DPI over zero by years since vintage began | Data as of Q4 2024



VC Fund Performance 2024 – Carta

Paths to Liquidity



Going Public



Mergers & Acquisitions



Secondaries & Share Buybacks

Notable Observations

Post ZIRP M&A and IPO activity impacted by valuation uncertainty, regulatory overhang

Exits are taking longer, limiting funds' ability to realize and distribute returns to LPs

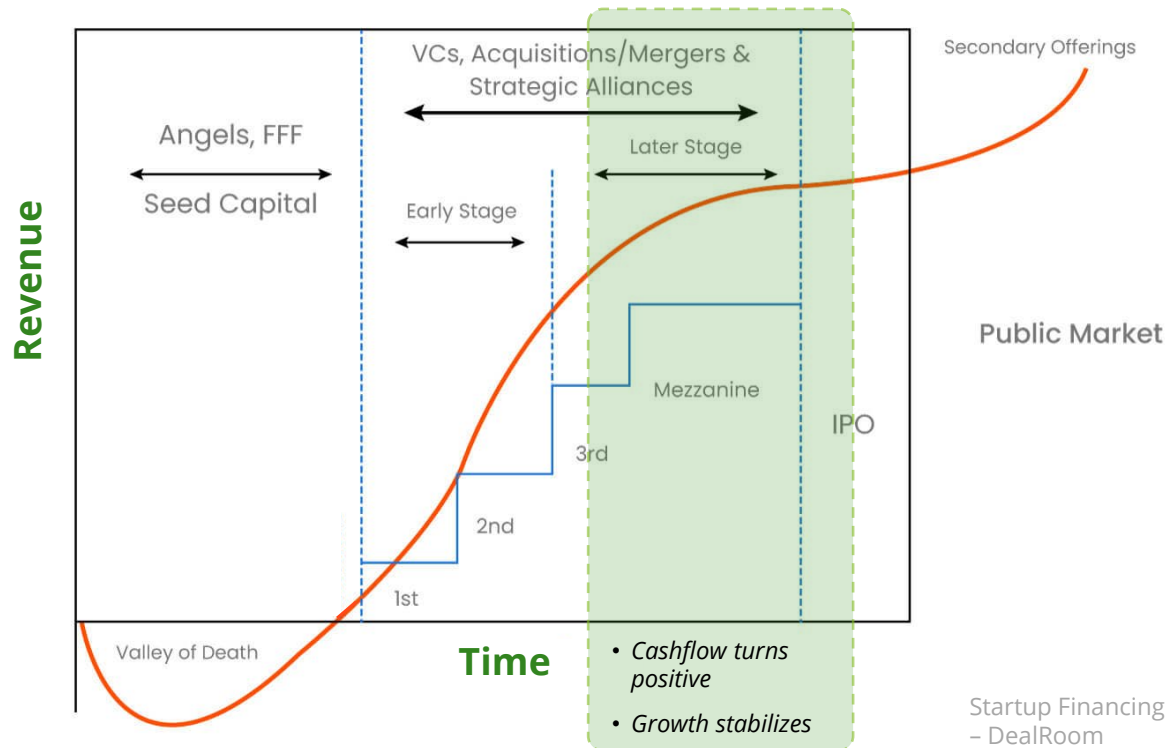
M&A and IPOs are the most common paths to liquidity, but VCs are increasingly turning to secondaries

For vintages from **2019 onward, the median fund has recorded no DPI**

Startup Characteristics and Financing Cycle

As startups move through the financing lifecycle, market shifts influence trajectory

Startup Financing Cycle



Recent Observations & Trends



Accelerated Growth



Leaner Teams



Larger Raises



AI Valuation Premiums



Valuation Subjectivity



Lack of objective inputs at earlier stages leads to heavier reliance on:

- *Key performance indicators (quant/qual)*
- *Investor sentiment*
- *Economic environment*
- *Hype*

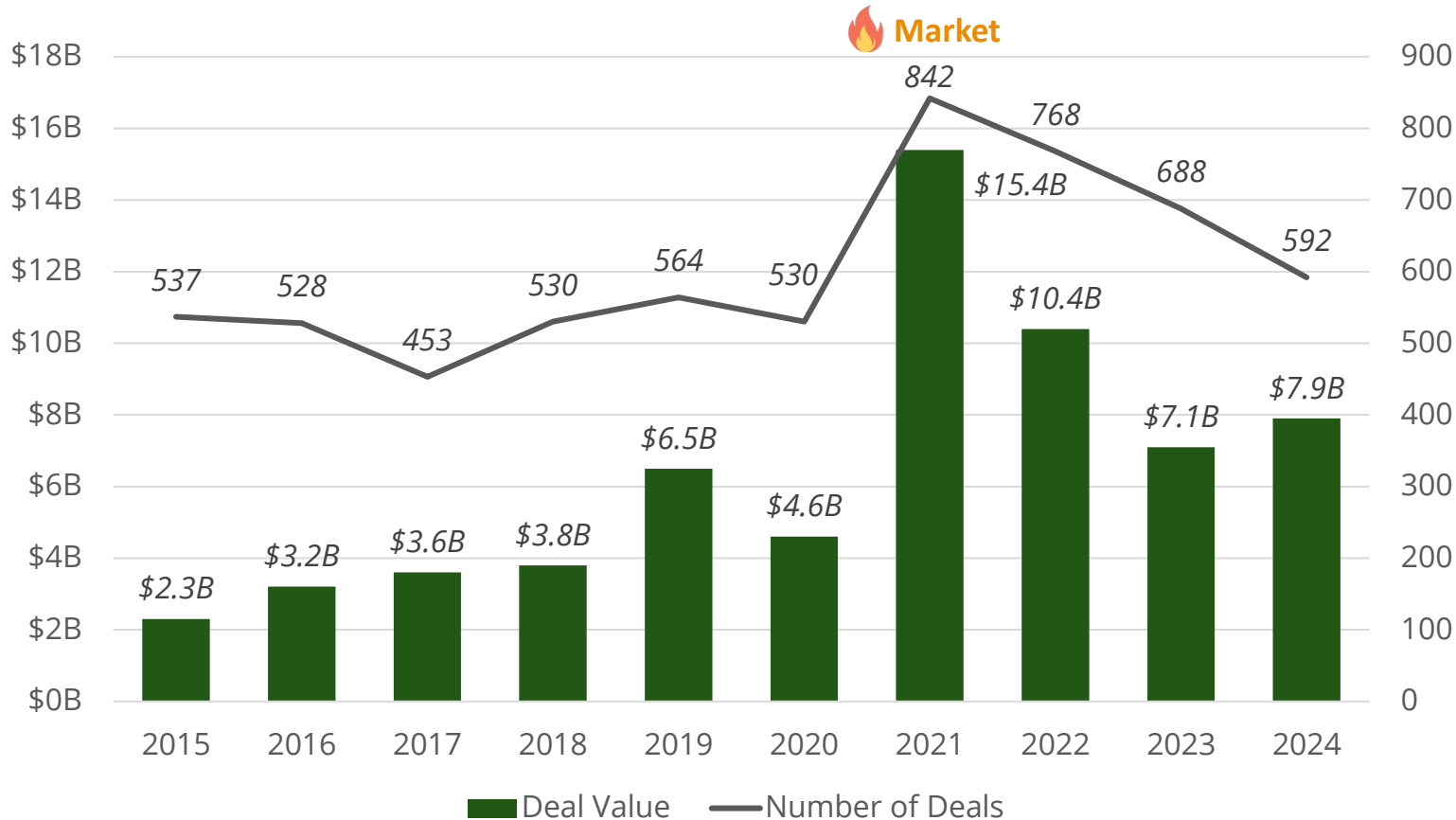
An aerial night view of a city skyline, likely New York City, featuring several prominent skyscrapers. The image is split diagonally from the top-left to the bottom-right. The left side is dark and shows the dense grid of windows of a building, with some lights visible. The right side is lighter and shows a glass skyscraper reflecting the city lights, with a blue-tinted sky above it. The text "Market Update" is overlaid in white on the dark left side.

Market Update

Financings for Venture Backed Companies in Canada

Recent VC activity is characterized by a growing number of mega deals

Canada VC activity by year ('15 to '24, CAD)



Canadian Venture Capital Market Overview – CVCA

Notable Observations

Mega deals are becoming more prevalent

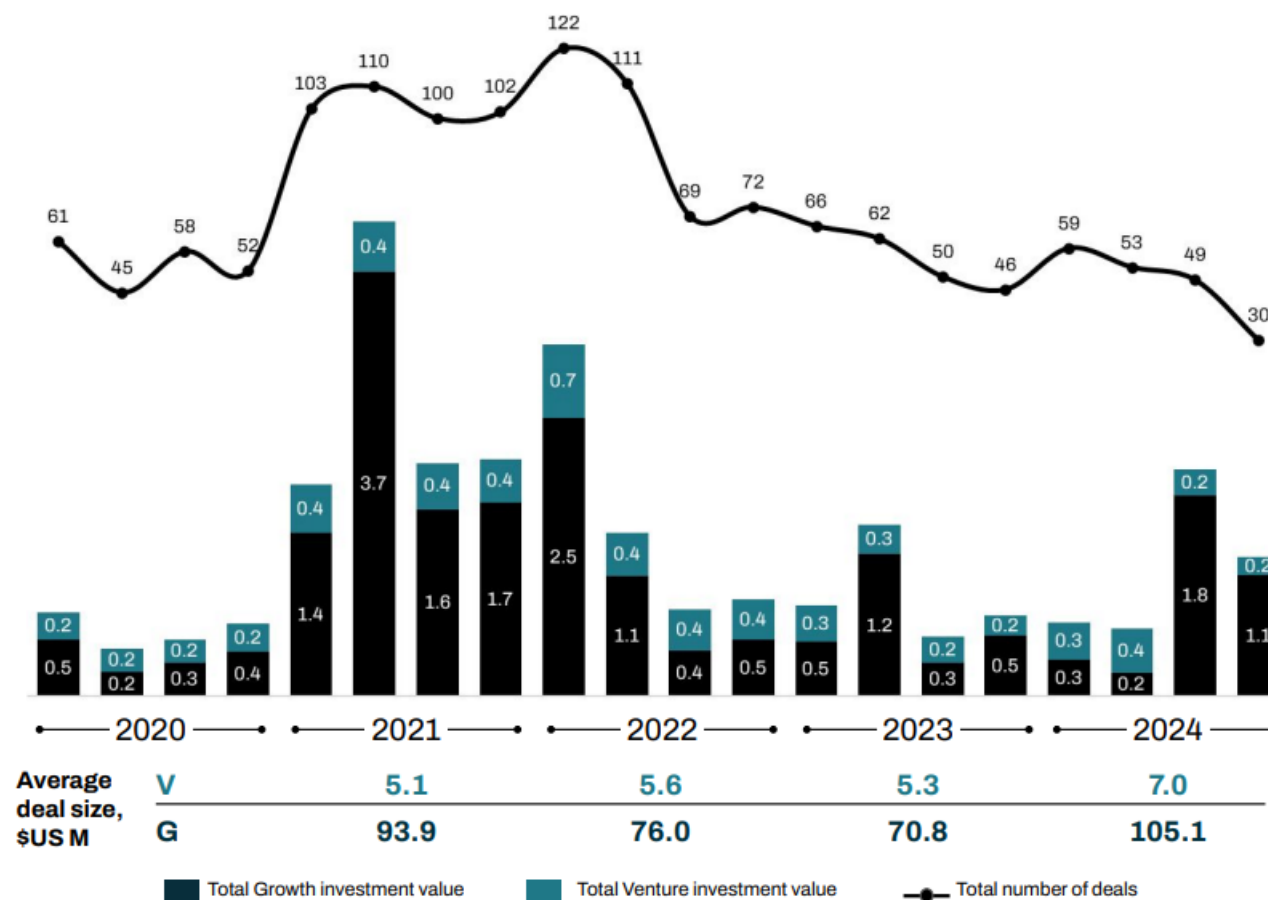
- 2024 deal value saw an increase for the first time since COVID exuberance, but deal numbers continue to decline
- ***Q1 2025 continued to reflect this trend*** in response to market volatility

The full impact of current global economic shifts on the Canadian VC landscape has yet to materialize

Venture and Growth Stage Financings

Average deal size increased across venture and growth stages in 2024, driven by several standout transactions

Canada VC activity by stage ('20 to '24, USD)



Notable Observations

\$1.1B invested at the venture stage in 2024

- Fuelled by AI momentum, AI-native deals represented the majority of venture fundraising in 2024

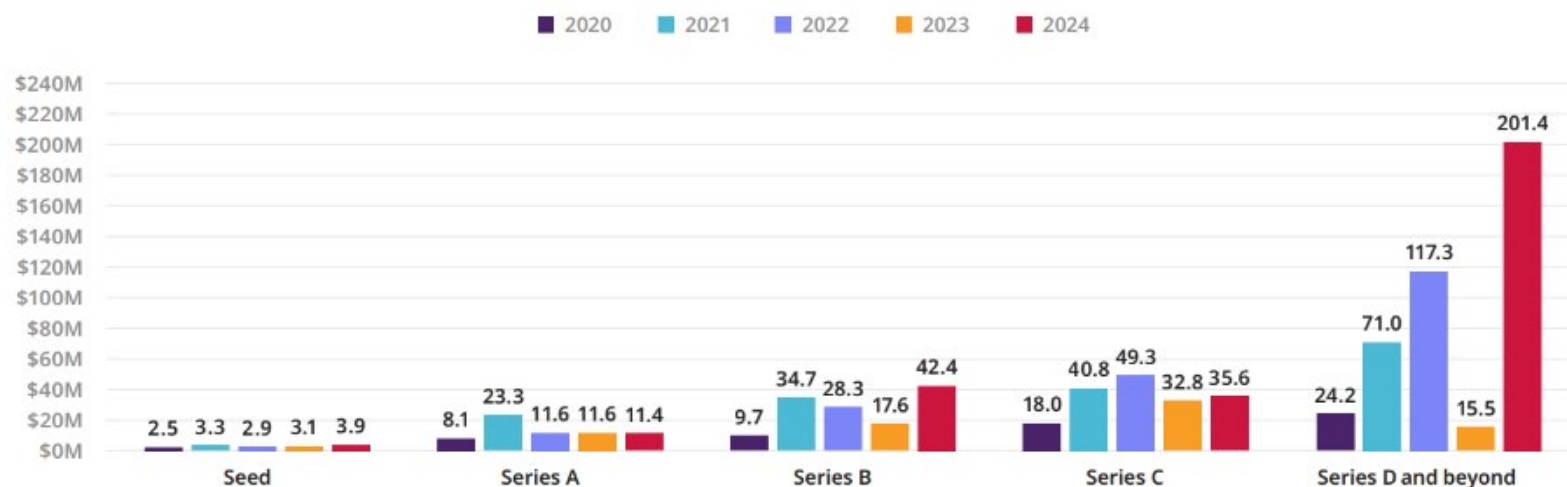
\$3.4B invested at the growth stage in 2024

- More venture companies are graduating to growth stages with significant revenue traction
- AI is delivering opportunities that are set to redefine growth trajectories

Transaction Sizes Over Time

Amount raised in deals reflects confidence in early-stage innovation and late-stage scaling

Average cash raised by year ('M USD) ('20 to '23)



*Excluding extension financing rounds for Series C companies.

2024 Deal Points Report: Venture Capital Financings – Osler

High-Volume Verticals



Artificial Intelligence



Health & Life Sciences



Information Technology

Notable Observations

Seed, Series B, and Series D+ investment amounts exceeded historical averages

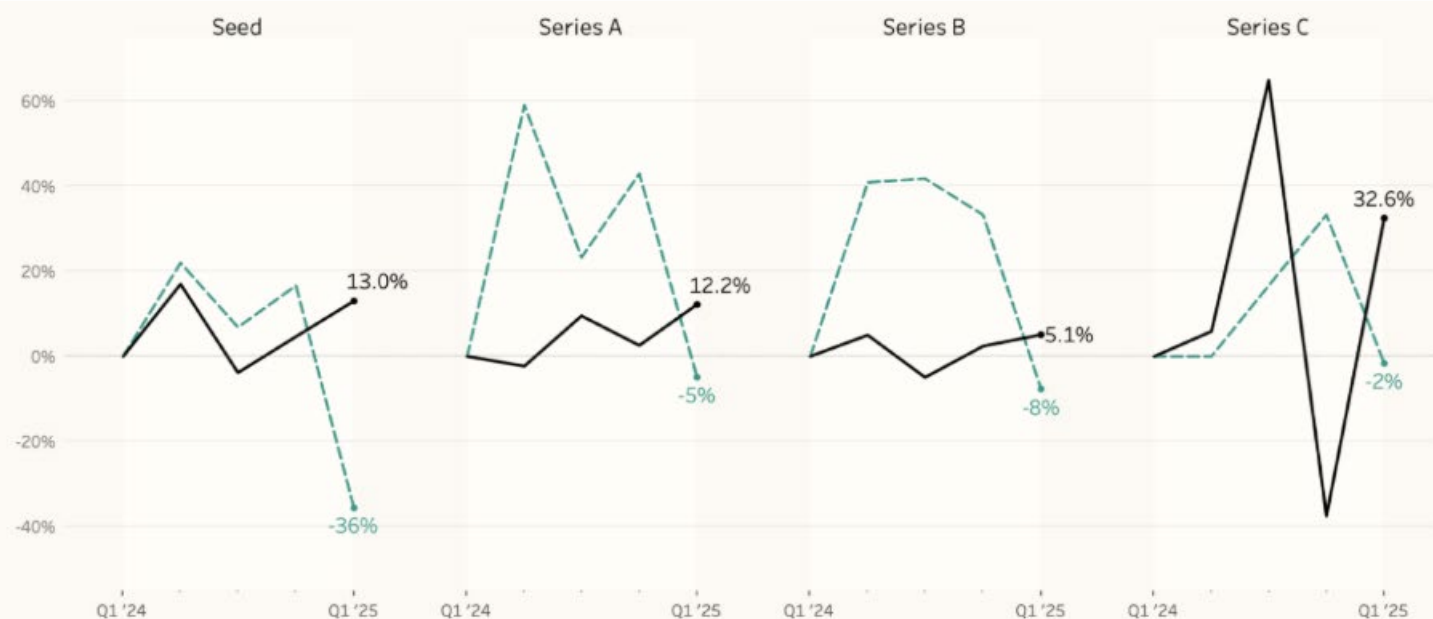
- **Several outlier mega deals** inflated Series D+ financings

2024 saw a recovery in valuation direction from 2023 with a **higher proportion of up rounds** and less flat rounds

- Proportion of down rounds remained relatively unchanged
- Highest concentration of down rounds took place in Series C and Series D+ rounds

Primary round valuations are up, counts are down across Seed through Series C stages

Percent difference in median pre-money valuation and total rounds completed, Q1 2024 – Q1 2025



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carta

Notable Observations

Investors are willing to put capital to work in the early and middle VC stages but are **choosing to concentrate capital** among a smaller startup population

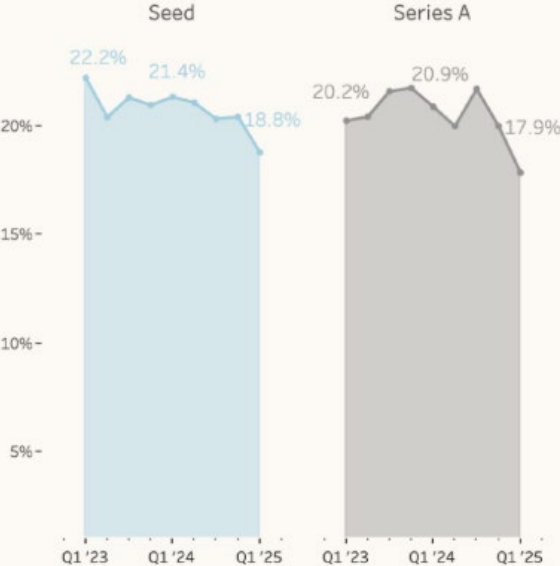
Across all Seed to Series C stages, median pre-money valuations on primary funding rounds were up, but fewer primary deals were closed

- Spike in Series C median valuations reflects impact of mega deals

Early-Stage Financing Deep-Dive

Declines in median dilution continue

Median primary round dilution, Q1'23 - Q1'25



Startups wait longer between primary rounds

Median days between primary financing, Q1'21 - Q1'25



Early-stage funding has fallen off since the start of 2023

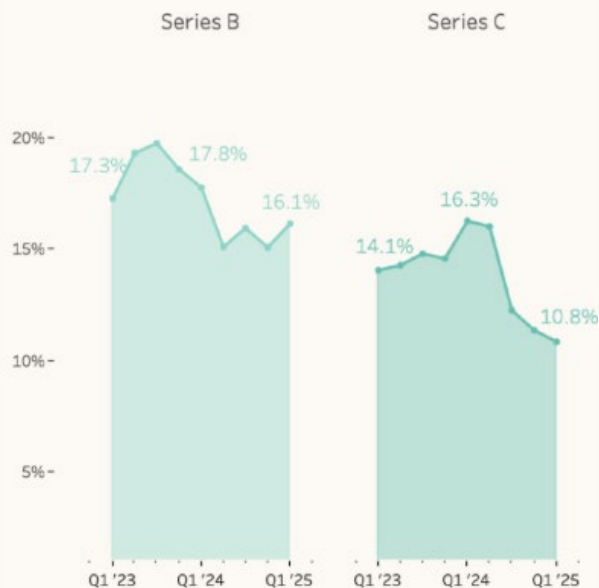
Total rounds and cash raised by stage and year, Q1'23 - Q1'25, USD



Late-Stage Financing Deep-Dive

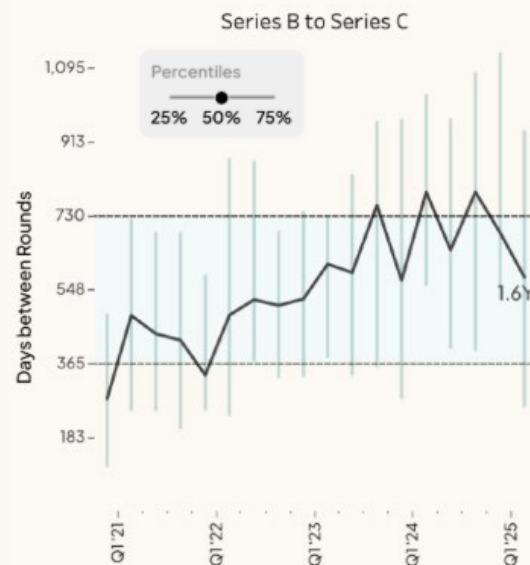
Median dilution similarly declined since 2023

Median primary round dilution, Q1'23 – Q1'25



Startups wait longer between primary rounds, but less than at the Seed stage¹

Median days between primary financing, Q1'21 – Q1'25



Conversely, later-stage funding has grown since 2023

Total rounds and cash raised by stage and year, Q1'23 – Q1'25, USD



State of Private Markets Q1 2025 – Carta

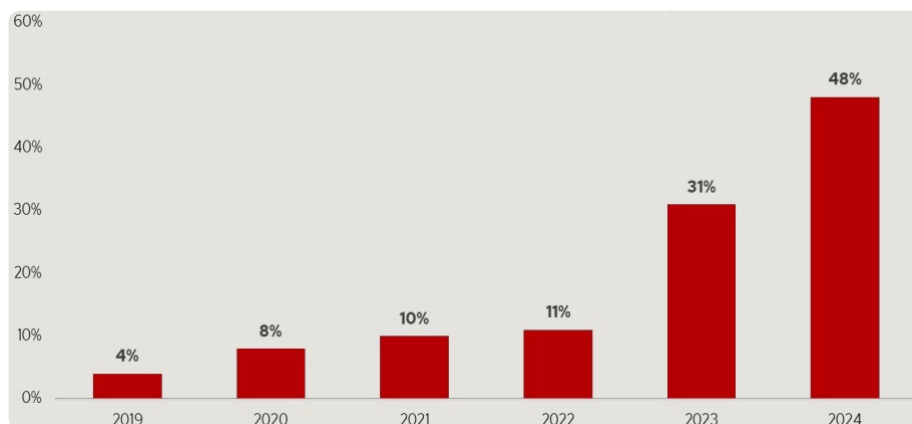
carta

¹ However, Series A to B graduation timelines are less favourable. “Startups that closed Series B rounds [in Q1 2025] had waited a median of 2.8 years since their Series A round, setting a new mark for the longest median interval on record” – Carta.

AI Valuations Break The Mold

AI deals are becoming increasingly common...

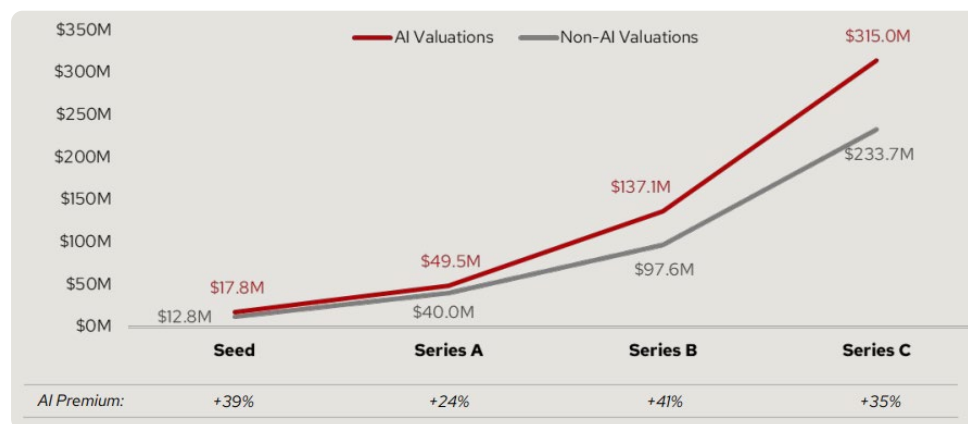
Percent of deals that involved AI startups



Redpoint Market Update – March 2025

...and command premiums to non-AI startups

AI vs non-AI median pre-money valuations



Redpoint Market Update – March 2025

Notable Observations

Funding to AI-related companies reached \$101B, **up more than 80% from 2023**

- At the same time, **overall venture funding was only up 3% from 2023**
- Funding to **AI startups represented close to a third of all global venture funding** in 2024

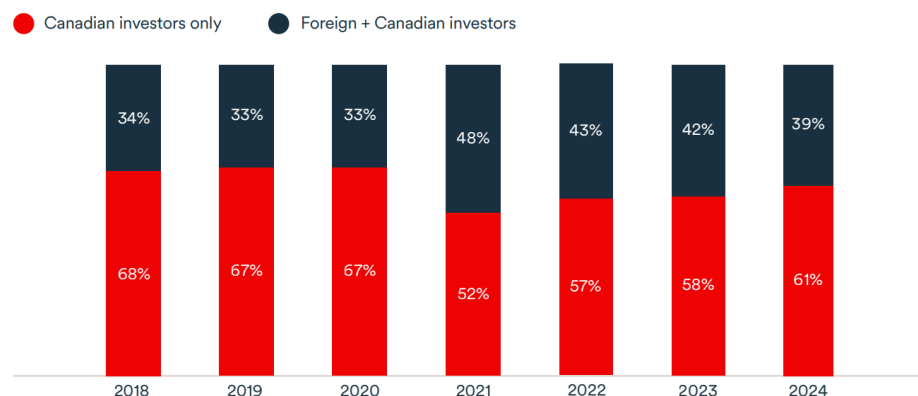
All figures in USD

Foreign & US Deal Participation

Foreign investors continue to be active participants in Canadian deals...

Foreign and Canadian investor participation in CA deals

By deal count

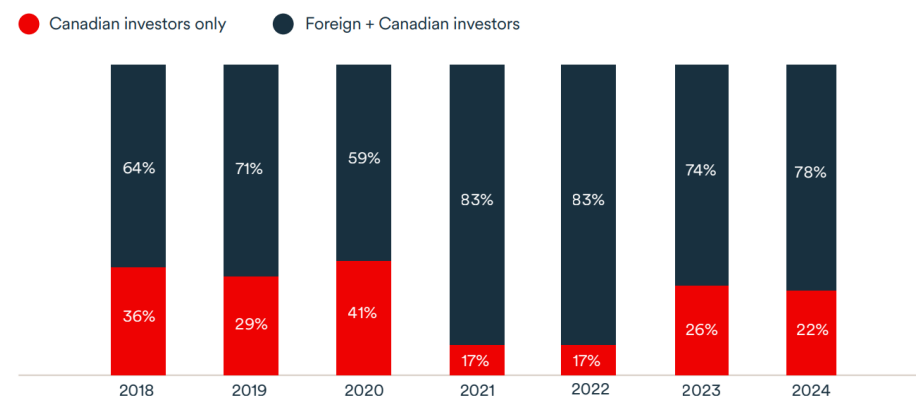


Canada's Venture Capital Landscape – BDC

...and participate in transactions that contribute a disproportionate amount of capital

Foreign and Canadian investor participation in CA deals

By dollars invested



Canada's Venture Capital Landscape – BDC

Notable Observations

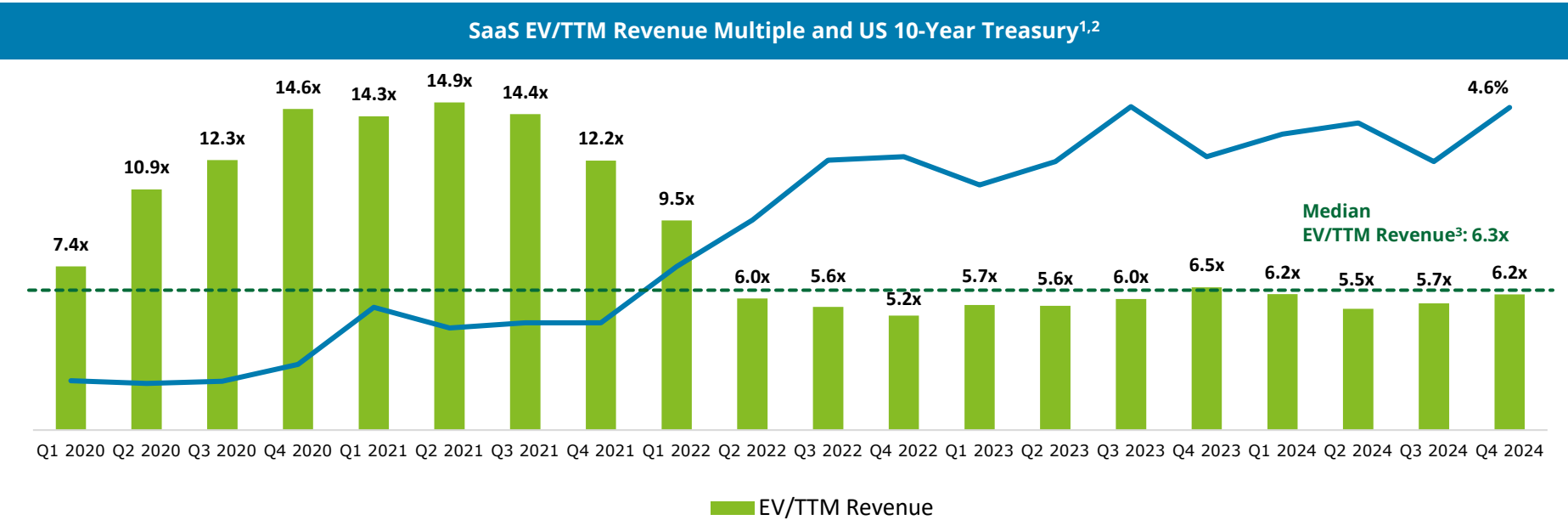
Higher dependency on **foreign capital for larger deals**

- **Canadian investors are more involved in early-stage deals** given the deeper local knowledge and connections required
- **The U.S. remains the most active foreign investor** with participation in 32% of Canadian deals, compared to European and Asian investors' cumulative participation in 12% of deals (6% each)

An aerial night photograph of a dense urban skyline. A large, modern glass skyscraper is the central focus, its facade reflecting the city lights. To its left, a dark, older building with many lit windows stands in contrast. To the right, other skyscrapers are visible, some with illuminated facades. The overall scene is a high-angle, wide shot of a city at night.

Valuations & Exits

Rising interest rates and pullback in software spending drove multiple contraction coming out of the ZIRP era, but multiples have stabilized



Source: Capital IQ as of 2/15/2025.
Notes: (1) For the TTM period ending 12/31/2024. (2) Please note that historical multiples may fluctuate slightly as new information becomes available. (3) The median EV/TTM revenue multiple is calculated based on the last 5 years.

Best-in-Class Companies Attracting Significantly Higher Valuations

Valuation for high-growth SaaS companies with >40% rating have surged, highlighting the continued premium that investors place on companies that achieve both strong growth and profitability.

Companies growing at >20% trade at premium to their slower growth but more profitable peers.

Revenue Multiple Disparity by Key Metric^{1,2}

FCF Margin

9.8x

2.6x

Best-in-class

FCF Margin over
26%

Worst-in-class

FCF Margin under
11%

Revenue Growth

10.7x

3.8x

Best-in-class

Revenue growth
over 17%

Worst-in-class

Revenue growth
under 7%

Weighted Rule of 40

11.2x

2.6x

Best-in-class

Weighted rule of 40
over 35%

Worst-in-class

Weighted rule of 40
under 15%

Source: Capital IQ and Pitchbook as of 2/15/2025.

Notes: (1) For the TTM period ending 12/31/2024. (2) Multiples are calculated by Best-In-Class (Top Quartile) and Worst-in-Class (Bottom Quartile).

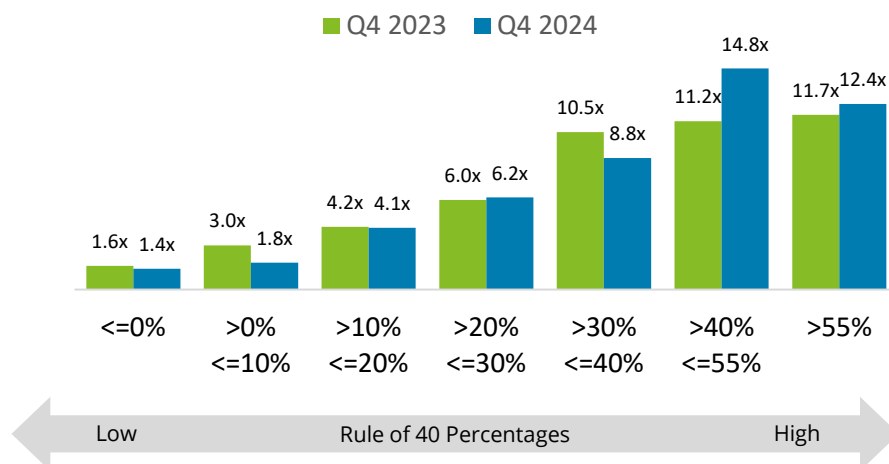
Weighted Rule of 40

Valuation for high-growth SaaS companies with >40% rating have surged, highlighting the continued premium that investors place on companies that achieve both strong growth and profitability.

Companies growing at >20% trade at premium to their slower growth but more profitable peers.

EV/TTM Revenue by Weighted Rule of 40^{1,2}

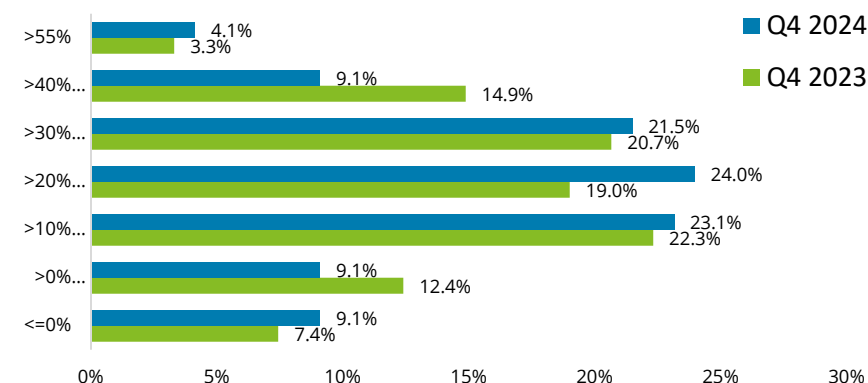
Rule of 40 is a measurement of profitability and growth, adding the company's growth rate percentage and free cash flow percentage. Applying a higher weight to revenue growth and a lower weight to EBITDA margin is generally more indicative to how the capital markets assess SaaS companies.



Key Statistics

Q4 2023 11.2x	Q4 2024 13.6x	Q4 2023 38.8%	Q4 2024 34.7%	Q4 2023 13.4%	Q4 2024 22.7%
Median EV/TTM Revenue Multiple ³ (companies over 40% weighted rule of 40)		Companies greater than 30% weighted rule of 40		Median TTM EBITDA Growth ³	

Company Distribution by Weighted Rule of 40



Source: Capital IQ as of 2/15/2025.

Notes: (1) Valuation metrics are calculated using the median values in each increment. (2) The calculation is a weighted formula that accounts for the higher value placed on revenue growth. The weighted rule of 40 = (0.67*EBITDA Margin) + (1.33*Revenue Growth).

(3) For the TTM period ending 12/31/2024.

Private Market Valuation Trends

Private company multiples trade at a premium, baking in future growth and AI tailwinds

	2017	2018	2019	2020	2021	2022	2023	2024	2025 (YTD)
Public High Growth Software LTM Revenue Multiples	10.6x	13.9x	15.2x	20.9x	25.8x	14.0x	12.5x	11.3x	15.5x
Series B and C Software ARR Multiples	20.2x	21.9x	31.3x	39.7x	105.4x	85.0x	63.5x	49.3x	48.2x
Premium to Public Market	1.91x	1.58x	2.06x	1.90x	4.09x	6.07x	5.08x	4.38x	3.12x

Redpoint Market Update – March 2025

Notable Observations

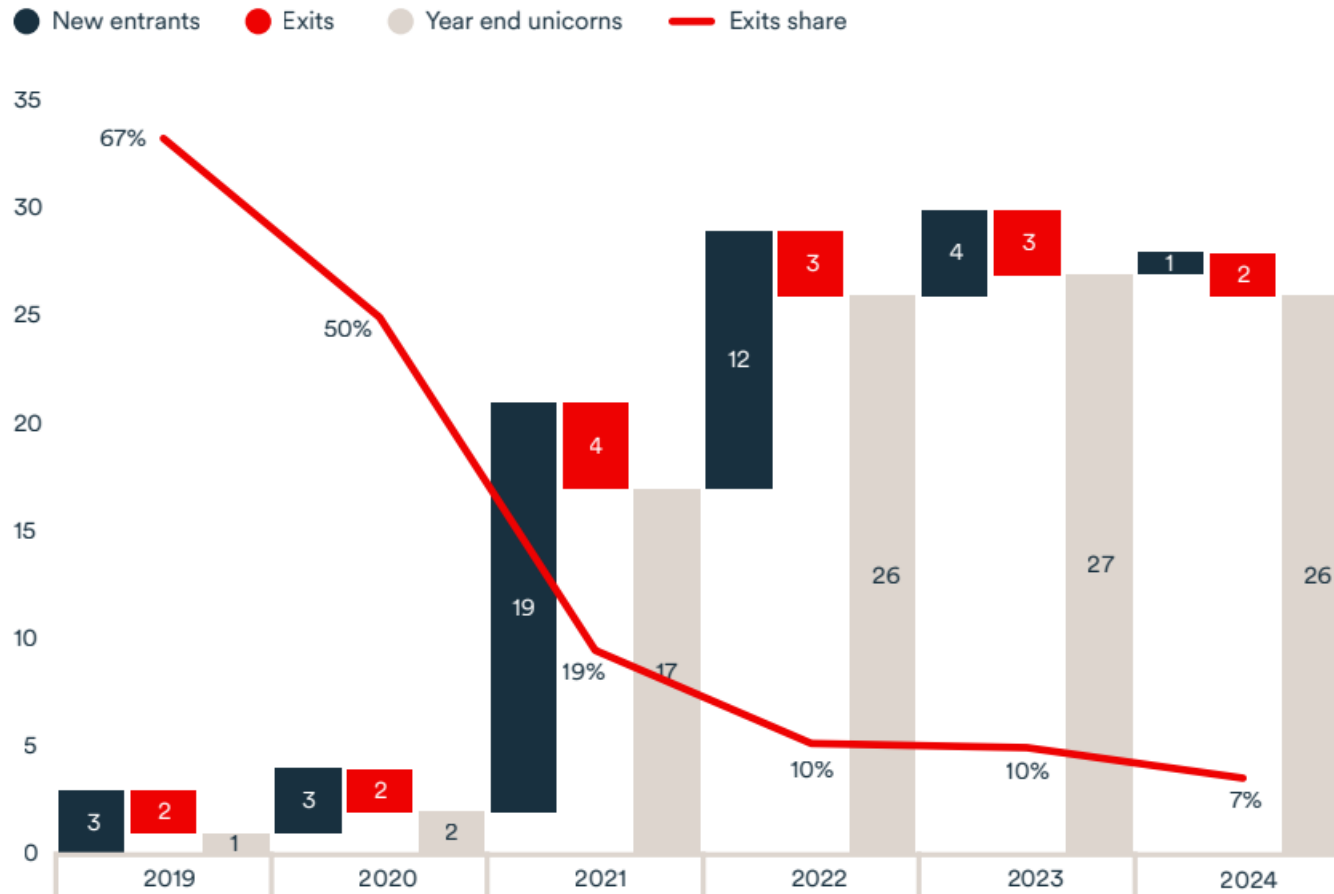
Private companies consistently trade at a premium ARR multiple compared to their public market peers

- The premium to public markets was highest shortly after COVID market exuberance and has since been declining, reflecting **private valuations' tendency to lag their public counterparts** – a trend consistent with historical analysis

Expansion of Canadian Unicorns; Limited Exits

Liquidity continues to be tied up in unicorns

Canada's cumulative unicorn count, new entrants, and exits



Canada's Venture Capital Landscape – BDC

Notable Observations

An all-time high number of Canadian start-ups **achieved unicorn status in 2021 and 2022**

Despite rapid growth, there have been **relatively few exits among these unicorns**

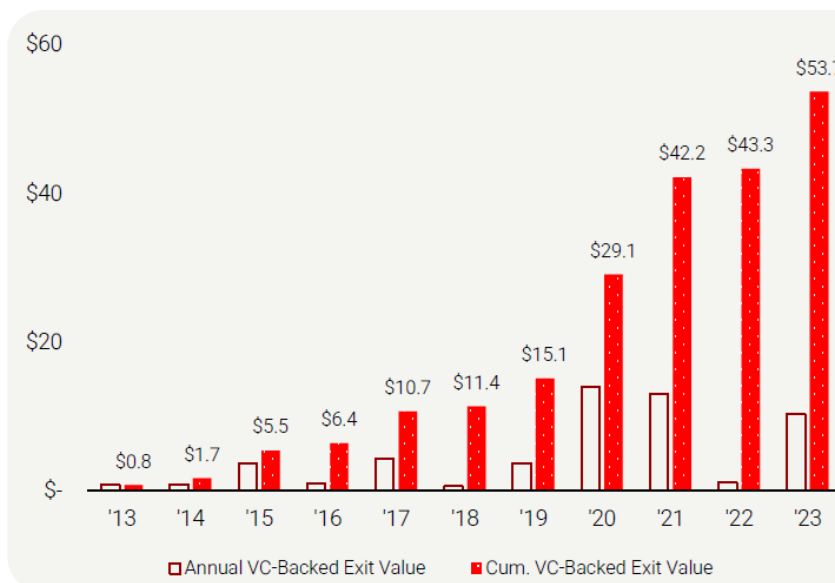
- Only 7% of Canadian unicorns exited in 2024
- **Substantial capital remains locked up in these companies**, awaiting improved market conditions or opportunities to exit
- **Secondaries** are increasingly being used to create distributions from unicorns

Canadian Exits Track Record

The Power Law is prevalent throughout Canada's exit track record

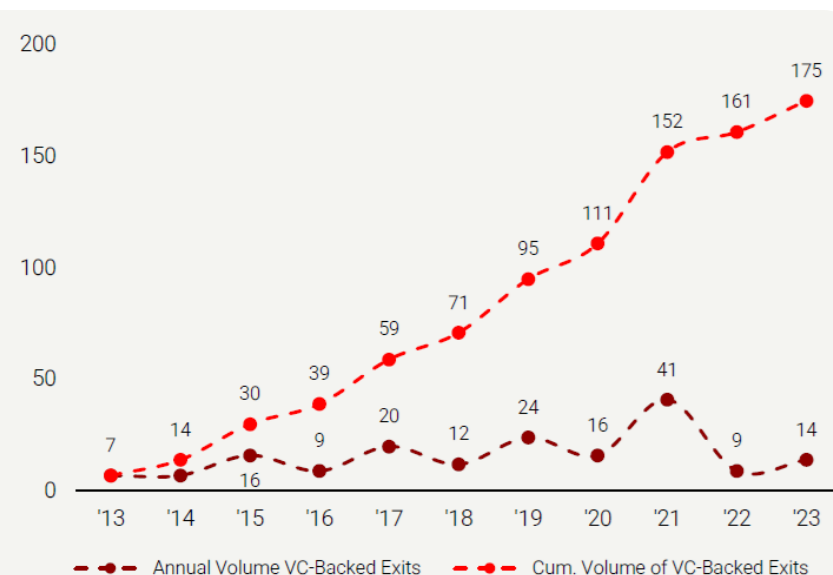
Canadian VC exit landscape (2013 – 2023)

Cumulative value of VC backed exits (CAD, Billions)



Canadian VC exit landscape (2013 – 2023)

Cumulative volume of VC backed exits



RBCx Spotlight

Notable Observations

85% of all exit value is generated from only 27% of all exit volume, out of Canada's 184 total exits over the past decade
VC-backed companies have become major buyers to expedite growth

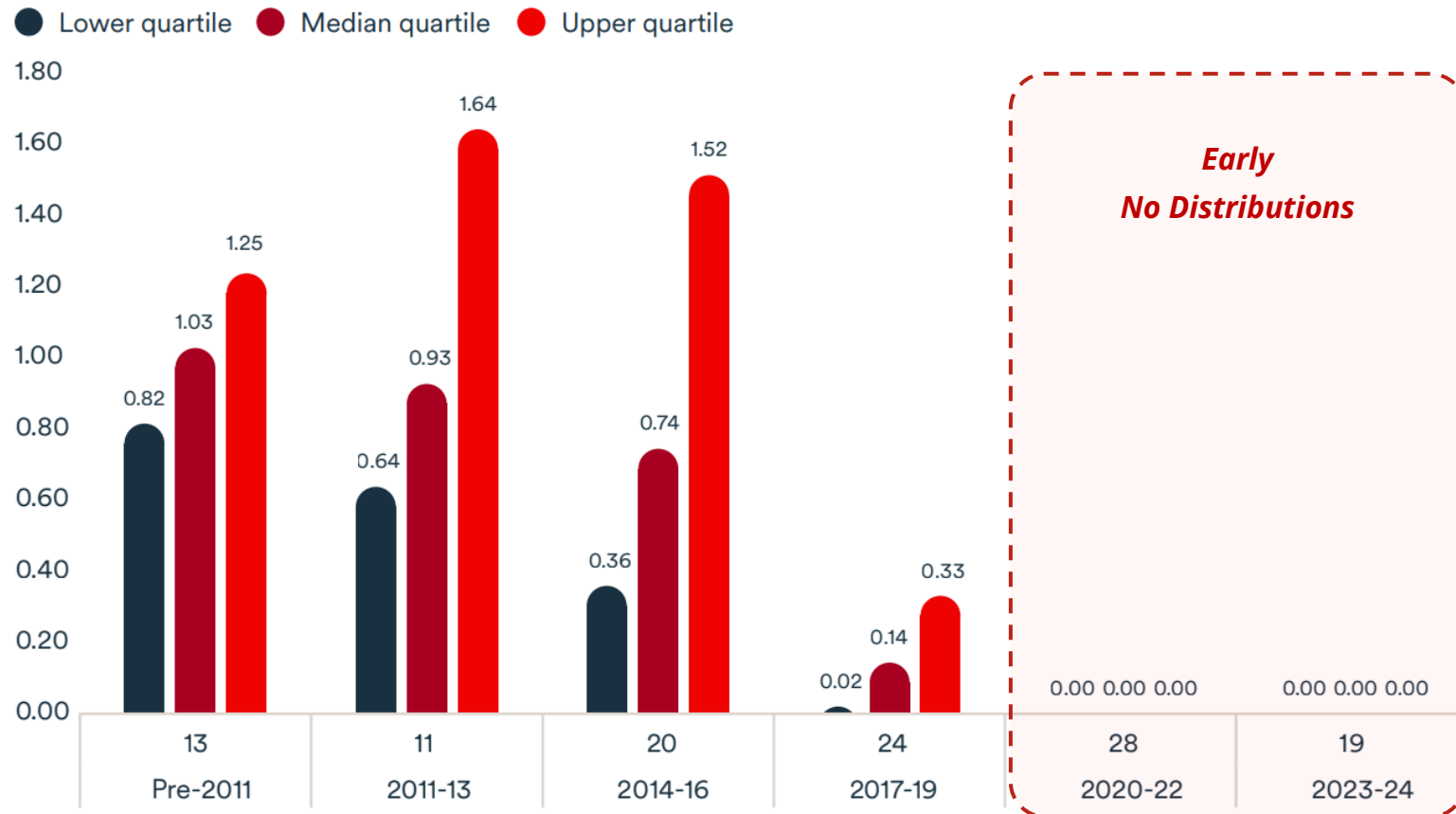
- Nearly 75% of acquisitions have been made by private VC-backed acquirers in 2025

Figures in CAD

Sluggish Exit Activity limiting recycling of Venture funds

Mature funds are awaiting to convert TVPI into DPI

DPI across vintages



Note: number of funds in each vintage cohort is displayed above the vintage grouping

Canada's Venture Capital Landscape – BDC

Notable Observations

Funds active since 2013 and prior are **still struggling to convert TVPI into DPI due to the sluggish exit activity** in the ecosystem, both through M&As and IPOs

Younger funds still hold multiple active investments and are **strategically waiting for favourable market conditions to exit**

- Not returning enough capital to LPs **can hinder GPs from closing subsequent funds**

Paths to Exit: M&A and IPO

M&A is responsible for ~50% of aggregate Top 50 exit value and volume

Top 50 Canadian VC-backed exits by exit type (CAD, Billions)



RBCx Spotlight

Notable Observations

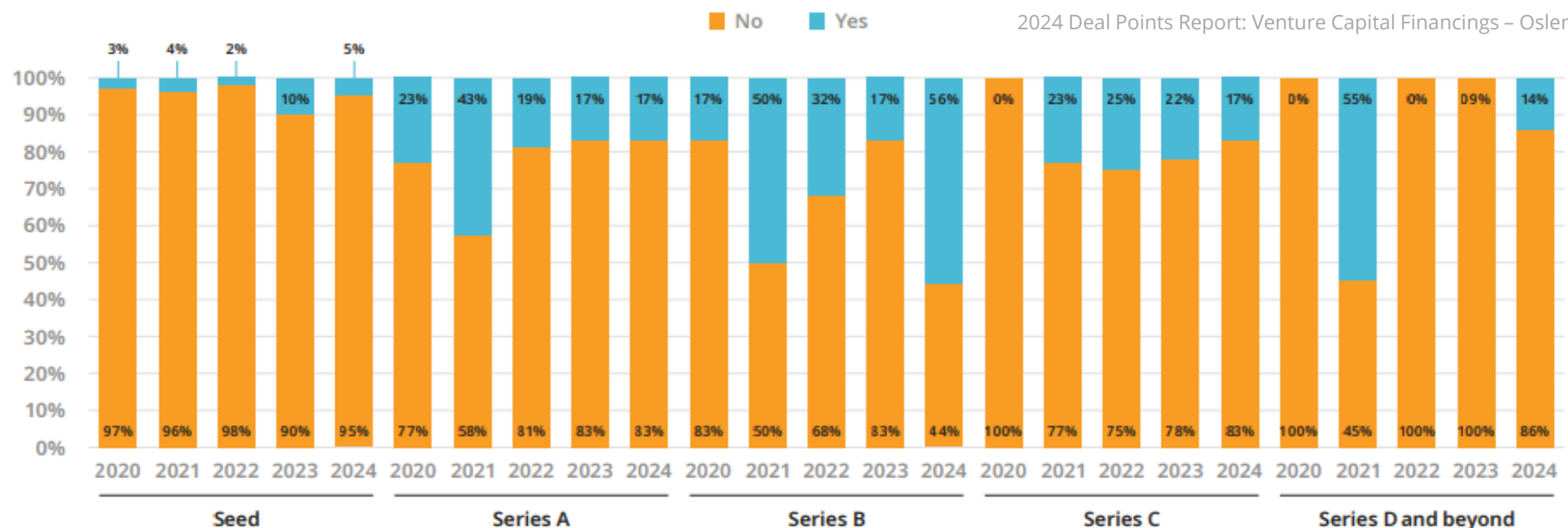
Across the Top 50 Canadian VC exits, the **median exit age is 12 years**, while the exit age since first financing is 8 years

The IPO drought continued – no **VC-backed company completed an IPO in 2024**. After a peak in IPO listings (12) in 2021, the tech IPO market collapsed in 2022, with only one VC-backed IPO recorded in 2023 since the collapse

Paths to Exit: Emergence of Secondaries

2024 saw a resurgence of secondary transactions, which are expected to remain popular in 2025

Existence of secondary transactions in financings, by series, by year ('20 to '24)



Notable
Secondaries



StackAdapt



Trulioo

Wealthsimple

Plusgrade

Notable Observations

17.4% of all financings in 2024 included a secondary component, with the **most significant increase seen in Series B** financings

- **Reduced IPO and M&A activity** has led to continued growth and acceptance of secondary transactions

Series D+ secondary transaction value spiked due to a small number of outlier deals

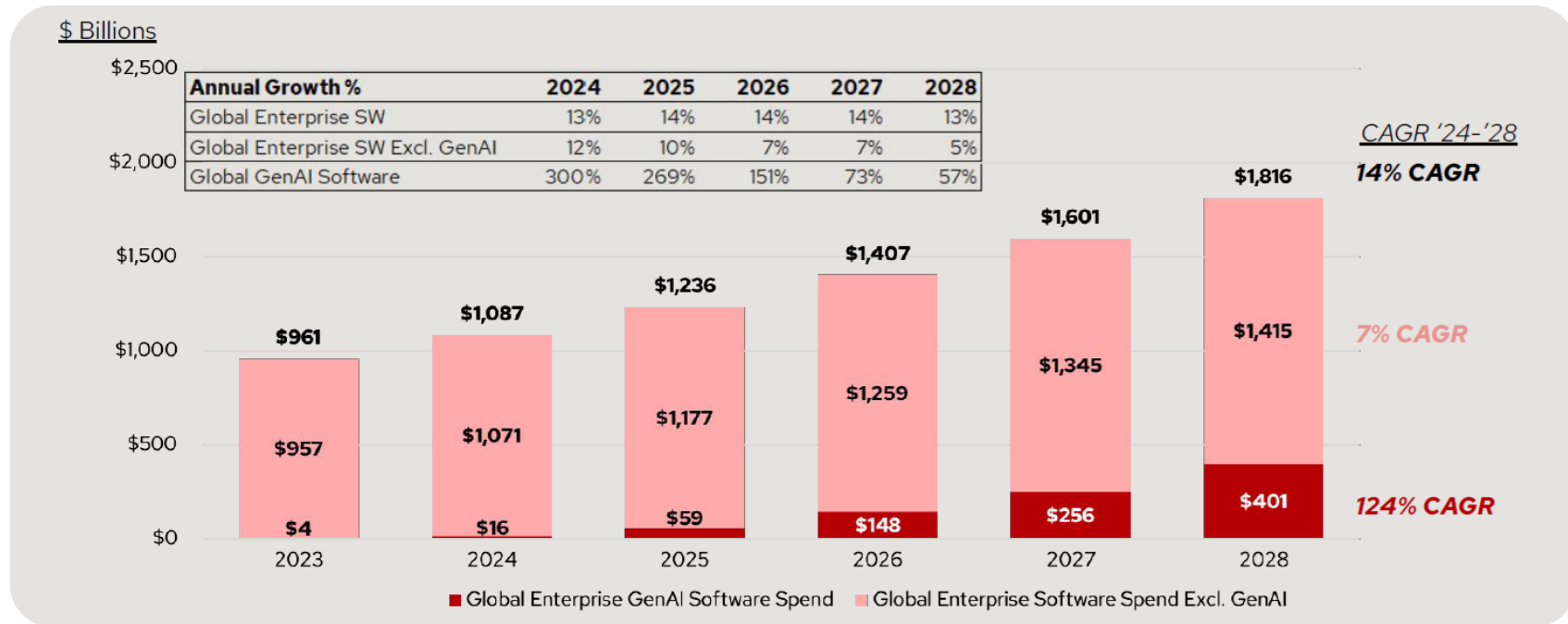


AI Effect

AI Disruption Opportunity

Global GenAI enterprise software spend is estimated to increase to **\$401B** by 2028, contributing ~22% of total global software spend

Global enterprise software and GenAI spend



Redpoint Market Update – March 2025

Notable Observations

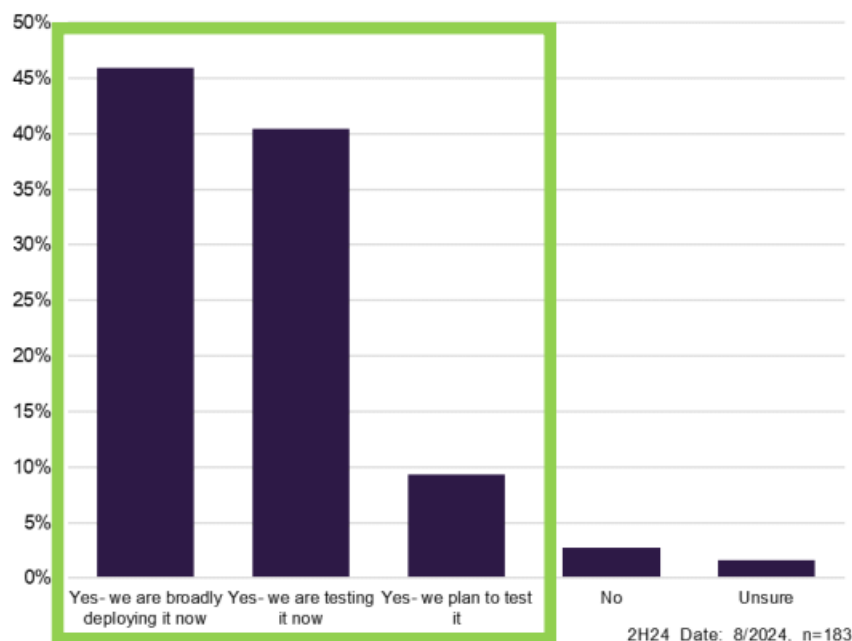
Gartner estimates a **\$4T software disruption opportunity** as AI unlocks additional services and human labour spend

AI companies are **transforming the SaaS business model**, shifting from providing workflow tools to fully automating the work itself

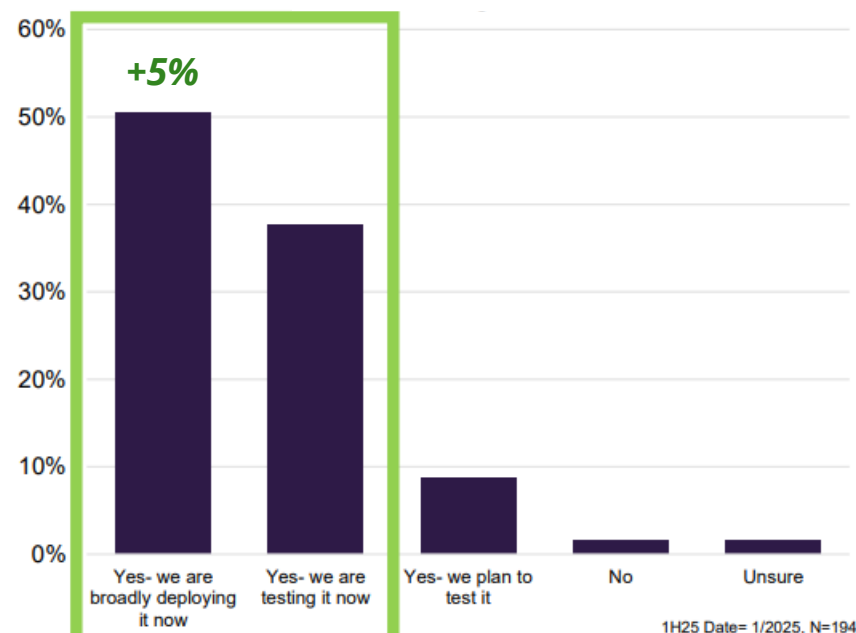
All figures in USD

Enterprises are deploying GenAI in production with less uncertainty

2H24 – Enterprise adoption of Copilot for MS Office



1H25 – Enterprise adoption of Copilot for MS Office



AI in the Enterprise Software Landscape – January 2025 – Truist Securities

Notable Observations

97% of leading GenAI adopters **report achieving tangible benefits** from deployments

74% of mid to large enterprises are seeing ROI from GenAI investments

- 84% successfully transform a GenAI use case idea into production within six months

Big Tech is investing heavily into GenAI vendors, taking both broad and selective approaches

Company	Category	Total Raised (\$M)	Microsoft	Google	Amazon	Oracle	NVIDIA	Intel	Salesforce	SAP	AMD
Proprietary											
OpenAI	Platform	\$17,910	🧠								
Anthropic	Platform	\$12,754		🧠	🧠				🧠	🧠	
Inflection AI	Platform	\$1,565	🧠				🧠				
Cohere	Platform	\$940				🧠	🧠		🧠	🧠	
Adept	Platform	\$414	🧠				🧠				
AI21 Labs	Platform	\$337		🧠			🧠	🧠			
Imbue	Platform	\$246			🧠		🧠				
Open-Source											
Databricks	Platform	\$14,181	🧠	🧠	🧠		🧠		🧠		
CoreWeave	Deployment	\$9,095					🧠				
Mistral AI	Platform	\$1,193	🧠				🧠		🧠		
Aleph Alpha	Platform	\$520					🧠	🧠		🧠	
Hugging Face	Platform	\$395		🧠	🧠		🧠	🧠	🧠		🧠
Runway	Video	\$287		🧠			🧠		🧠		
Stability AI	Platform	\$111						🧠			🧠

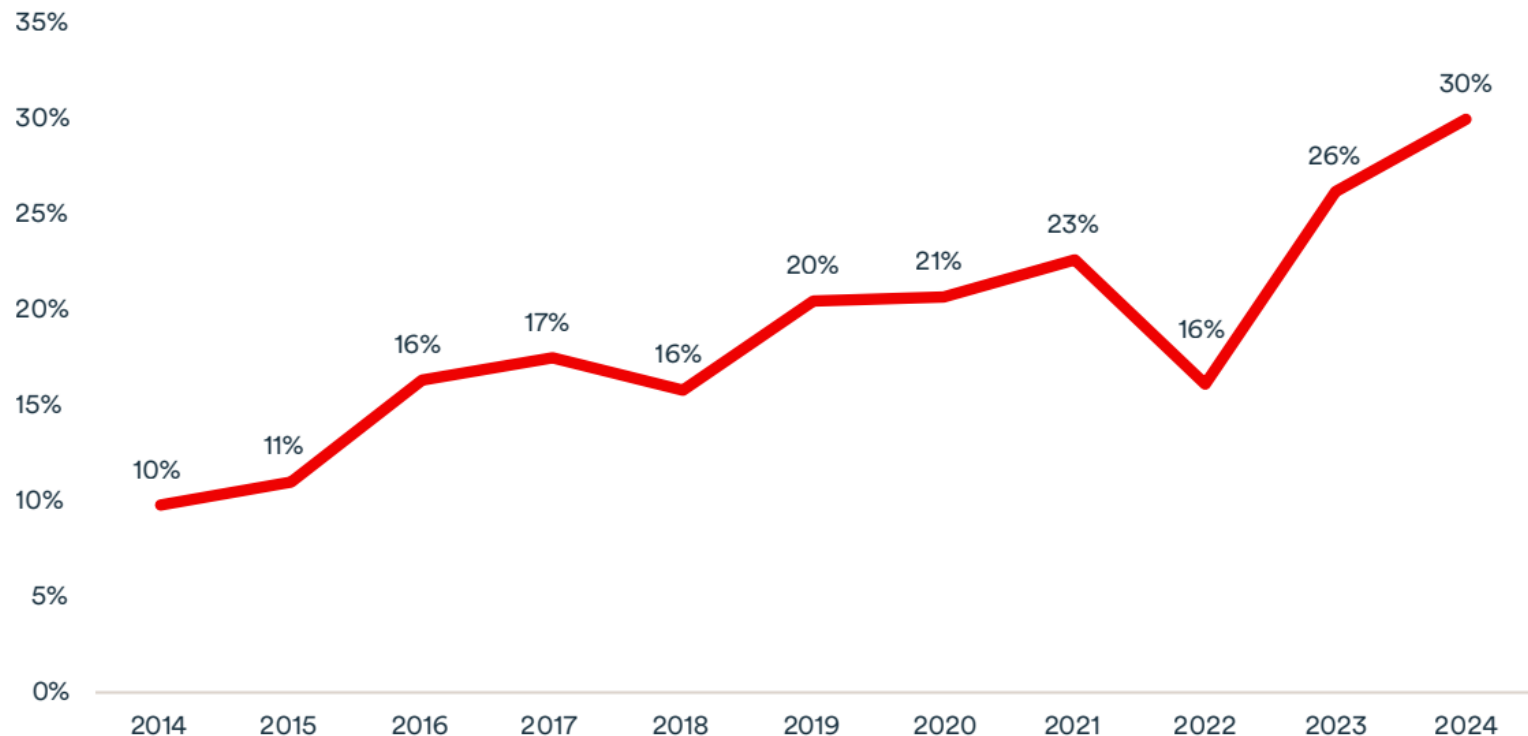
Figures in USD
AI in the Enterprise Software Landscape – January 2025 – Truist Securities

Notable Observations

- Investment into GenAI vendors enables Big Tech to **avoid being left behind by disruptive innovators**
- Big Tech’s financial and operational resources position them as **indispensable partners for GenAI vendors**
- Big Tech can embed foundational models and platforms across existing offerings to **vastly accelerate GenAI adoption**

AI secured one third of Canada's VC investments in 2024

Share of Canadian VC investments in AI companies, as a % of total capital



Canada's Venture Capital Landscape – BDC

Notable Observations

Significant portion of AI investment remains ***concentrated in a few leading firms***


- More than half of total investments in AI was directed at two companies: ***Cohere and Tenstorrent***, both from Ontario

Canadian VC investment in AI ***reflected global trends***, with 33% of all global venture funding being directed to AI companies

Canadian AI Leaders

Canada is home to high-calibre AI talent and startups fuelling a vibrant AI innovation ecosystem

Company	HQ	Year Founded	Total Raised ('M USD)	Latest Financing	Latest Financing Amount ('M USD)
 tenstorrent	Santa Clara, US (prev. Toronto)	2016	\$1,034	Series D	\$700
 cohere	Toronto	2019	\$940	Series D	\$500
 waabi	Toronto	2021	\$283	Series B	\$200
 deep genomics	Toronto	2014	\$241	Series C	\$180
 ada	Toronto	2016	\$190	Series C	\$130
 SANCTUARY AI	Vancouver	2018	\$119	Series A+	\$22
 ideogram	Toronto	2022	\$76	Series A	\$59
 arteria AI	Toronto	2020	\$41	Series B	\$30
 Spellbook	St John's	2017	\$32	Series A	\$20

An aerial night photograph of a city skyline, likely New York City. The image is split diagonally from the top-left to the bottom-right. The left side is in deep shadow, showing the dark silhouettes of skyscrapers with some yellow light from windows. The right side is bathed in a cool blue light, highlighting the glass facades of the buildings. A prominent building with a flat roof and a small structure on top is visible in the center-right. The word "Appendix" is written in white, bold, sans-serif font in the lower-left corner.

Appendix

Number of resources exist to provide market context and help inform decision making

While most of these are point in time reports, many are updated regularly.

- [CVCA Venture Capital Reports](#) – venture capital and venture debt deals by Canadian companies quarterly
- [Osler Deal Points Report](#) – synthesized deal and terms data from Canadian VC and growth equity financings annually
- [Carta State of Private Markets](#) – aggregated and anonymized financing data by US-based companies quarterly
- [Carta VC Fund Performance Report](#) – aggregated and anonymized financing data by venture firms annually
- [Redpoint Market Update](#) – coverage of public and private market valuations and trends annually
- [Inovia State of Canadian Software Report](#) – coverage of Canadian venture software landscape annually
- [RBCx Spotlight](#) – Canadian innovation landscape coverage and insights monthly
- [BDC Canada's Venture Capital Landscape](#) – overview of the state of the Canadian venture capital ecosystem annually
- [Battery Ventures State of the Opencloud](#) – public and private SaaS market coverage annually
- [Forge Private Market Update](#) – coverage of key trends and data in the private markets quarterly
- [International PE & VC Valuation Guidelines](#) - best practices on the valuation of private capital investments



Thank you.
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