

A vibrant, stylized illustration of an Australian landscape. In the foreground, a kangaroo stands on the left, and a koala is visible in the lower center. A river flows through the bottom of the scene. The middle ground is filled with rolling green hills and various types of trees, including eucalyptus. In the background, there are blue and purple rocky cliffs under a bright sky with white clouds.

2023

# THE STATE OF AUSTRALIAN STARTUP FUNDING

**CUT  
THROUGH**  
venture

Folklore  
Ventures

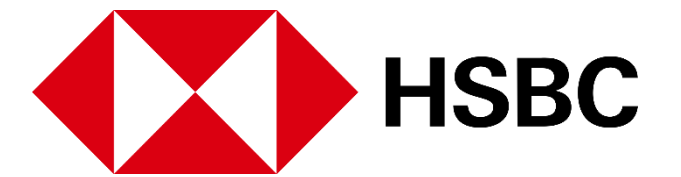
# Acknowledgement

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

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

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**Chris Gillings**  
Cut Through Venture &  
Five V Capital



# A word from Cut Through Venture

**Legendary Oaktree Capital investor Howard Marks remarked in May 2023 that "the worst loans are made in the best of times."**

**I'd argue that this observation aptly extends to almost every other investment category—and that the reverse is also true.**

In 2021, the world experienced an unparalleled surge in venture capital investment, propelled by low interest rates, overflowing liquidity, and a worldwide increase in technology adoption driven by the pandemic. Investors, keen to access the opportunities before them, began investing in startups at an unprecedented rate.

Today, it's evident that the previous years' excesses have catalysed a transformative shift. The macroeconomic climate, though challenging, has become an agent for forging stronger, more resilient ventures. Escalating interest rates, inflationary pressures, and geopolitical uncertainties have made the investment climate demanding yet ripe with opportunities for those willing to shift tack.

This evolved environment has prompted a strategic recalibration in investment. Investors are refining their focus towards ventures that show signals of sustainable value creation. Venture capitalists are conducting stricter due diligence and placing a balanced emphasis on fiscal sustainability alongside growth. This approach will nurture a generation of startups built to last.

The current environment encourages the formation of viable business models and necessitates a sharper focus on unit economics, long-term sustainability, and efficient capital use. This shift is not a hurdle but a stepping stone towards an ecosystem of businesses designed not only to attract VC funding but to become enduring enterprises.

Though demanding for investors and founders alike, this period presents a huge opportunity. The past era of effortless funding and inflated valuations has given way to a more strategic phase. In this new landscape, discernment, strategic thinking, and resilience will lead to success.

The startups securing investment will have truly innovative solutions, robust business models, and potential for enduring growth.

This selective investment climate provides a platform for better long-term outcomes for the best founders and investors. Startups obtaining funding are likely to be those best positioned for success, which, in turn, will create a more robust startup ecosystem. Likewise, investors stand a better chance of seeing outsized investment returns in more resilient businesses.

The venture capital landscape in Australia, mirroring global trends, is witnessing a rebirth. The previous era of unchecked expansion is transitioning to a more measured approach to investing, marking a shift back to fundamentals. This evolution focuses on developing sustainable, profitable enterprises that promise to reshape industries and economies.

We now kick off an era of venture capital where the stakes are higher, the challenges more nuanced, but the rewards potentially far more significant — **game on.**



**Alister Coleman**

Founder & Managing Partner  
Folklore Ventures



## A word from Folklore Ventures

**The breadth of this 3rd annual State of Australian Startup Funding Report provides hope to both Folklore Ventures and Cut Through Venture that we have been able to provide equitable access to funding information from a wide range of perspectives including more than 1,000 founders, investors and angels. Our modest goal is a collective understanding of the state of our startup funding landscape, to help shape a positive future for Australian startups who continue to showcase their talent on a global stage.**

Over the last decade, Australia has seen three generations of talented founders; those who emerged alongside a nascent VC industry; those who scaled with our industry; and teams now emerging from companies created by the first two generations. During this period, Australian startups have participated in foundational technology changes, the rise and demise of tech 'trends', a pandemic, and a complete economic cycle.

For these generations, 2023 displayed a recovering funding environment reflective of 2020's data, with \$3.5 billion

deployed and 'just' 413 deals recorded. Changing investor expectations led to decreased deal volumes, deal sizes, and valuations as markets forced the hand of many, and conservatism and rationalisation took hold. For those who only found venture investment at its peak, this adjustment was chilling.

Across 2023, Seed stage rounds were least impacted by market movements, whereas Series B and later stage companies saw average valuations fall 41%, material layoffs, and concerns around viability that will persist into 2024. Positively, international investors participated in at least 42% of all recorded deals in 2023, and 70% of local investors expect international investors to be more active in 2024. Consequently, 82% of founders believe they'll successfully raise in the next 2 years alongside an expectation of fundraising by multiple VC firms.

Muted in a sea of more positive results are the modest improvements in gender-diverse startup funding, with participation in deals recovering from 2022 lows to a 5-year peak of 12% and 26% by all-female or mixed-gender teams, respectively. As our industry grapples with strategies to improve funding for gender-diverse startups, every surveyed investor agrees that this funding tide must rise.

As we enter 2024 with a more positive outlook, it is important to remember that Australia's startup funding market is resilient, to exercise an elasticity over our expectations, to encourage ambitious goals, and to embrace and empower a more diverse group of founders, builders and investors. There is much to play for, great gains to be made, and a reservoir of talent to be nurtured.

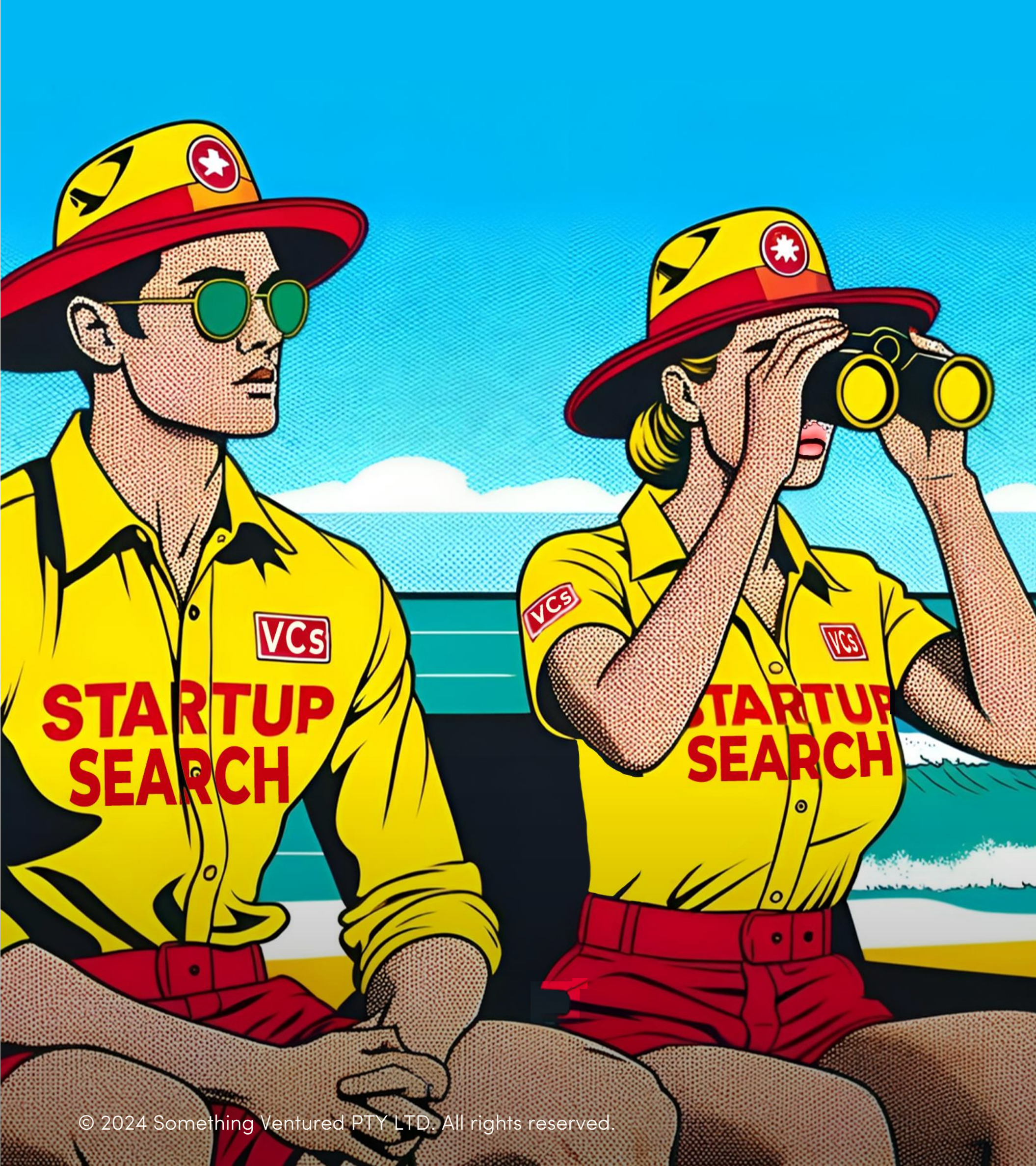
Thank you to the founders and investors who contributed to this year's Report. We hope you find it insightful and valuable.

# 01 The State of Venture Capital

The Australian startup funding landscape was not insulated from the global decline in deal volume seen in 2023. The number of deals and the amount of capital invested bore a striking resemblance to the local figures of 2020, despite the funding landscape having transformed significantly since the pre-COVID era.

While investors may have been more cautious, entrepreneurs have access to a broader range of funding options than before. An increased number of mature local investors are ready to invest substantial capital, and interest from international investors remains strong.

Although it might take time to rebound to the levels of activity seen in 2021, both investors and entrepreneurs are optimistic that the worst is now behind us.



# Five Things to Know

1

## Local funding environment mirrors global slowdown

Australian venture capital investment reflected global trends, experiencing a substantial fall from 2022. Funding fell to \$3.5 billion, a significant reduction from previous years, with only 413 deals recorded. Globally, venture capital investments saw a 38% decline. Only a small portion of local investors met their expected investment cadence for 2023, however, the majority of VCs expressed optimism for a surge in deal volume and international investment interest in the Australian market in 2024.

2

## Australian investors gripped by Artificial Intelligence excitement

AI, the global venture capital darling of 2023, emerged as the most eagerly awaited sector for the coming year, with investor interest in Blockchain/Web3 and Bio/Medtech experiencing a steep decline. 30% of investors named AI/Big Data as the sector they are most enthusiastic about heading into 2024, followed by B2B Software and Climate Tech. B2B Software and Climate Tech were standout performers, securing \$505 million in funding and a deal count of 41, respectively.

3

## Startups weather 'wartime' conditions with optimism about 2024

Despite challenging operating conditions, investors noted that startups in their portfolios showed resilience, and displayed enhanced overall health compared to the same time last year. Widespread layoffs became a prevalent theme in the startup landscape, with 90% of investors witnessing them within their portfolios. Shutdowns, mirroring trends in the global startup ecosystem, were also common. Despite this, 82% of founders expressed confidence in securing funding in 2024-25.

4

## Valuation shifts, mega deals slow, and no new unicorns crowned

A marked valuation shift occurred across all stages of funding, particularly in later ones. Most investors view the revaluation wave as essentially complete and expect deal pricing to stabilise in 2024. Decreased competition for deals coincided with improved investor behaviour, resulting in fewer pulled and re-traded term sheets. There were fewer deals over \$50 million compared to recent years. Only four 2022 unicorns returned to the market to reaffirm their valuations in the new climate, with no new Australian unicorns crowned.

5

## Unequal funding remain across demographic lines

Overall outcomes for female founders in 2023 remained below what is widely deemed appropriate, yet the data showed signs of marginal improvement. Participation in deals by all-female or mixed-gender teams reached a five-year high at 12% and 26%, respectively, and the share of total capital raised recovered from the low levels of 2022. Founders surveyed also revealed a divergence in outcomes regarding perceived support and capital-raising ability among founders from different ethnicities.



**Agriculture / Agtech**



**Blockchain / Cryptocurrency / Web3**



**Legaltech**



**EdTech / Training**



**Hardware / Robotics / IOT**



**MarTech / AdTech / SalesTech**



**Artificial intelligence / Big Data**



**Climate Tech / CleanTech**



**Food / Beverage**



**Fintech**



**PropTech / RealTech / Construction**



**Biotech / MedTech**



**Consumer Product (non Food / Bev)**



**Ecommerce / Retail**



**Enterprise / Business Software**



**Healthtech**



**Marketplace**



**Design / Publishing / Collaboration**



**Deep Tech**



**Transportation/Logistics/Supply Chain**



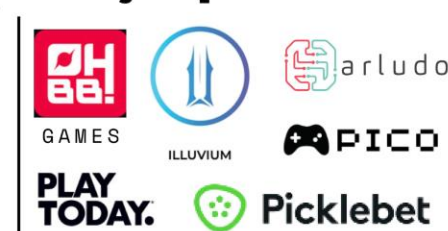
**Cybersecurity / Data Privacy / Digital ID**



**Space/Aviation/Defence**



**Gaming / Esports**



**THE STATE OF AUSTRALIAN STARTUP FUNDING 2023**

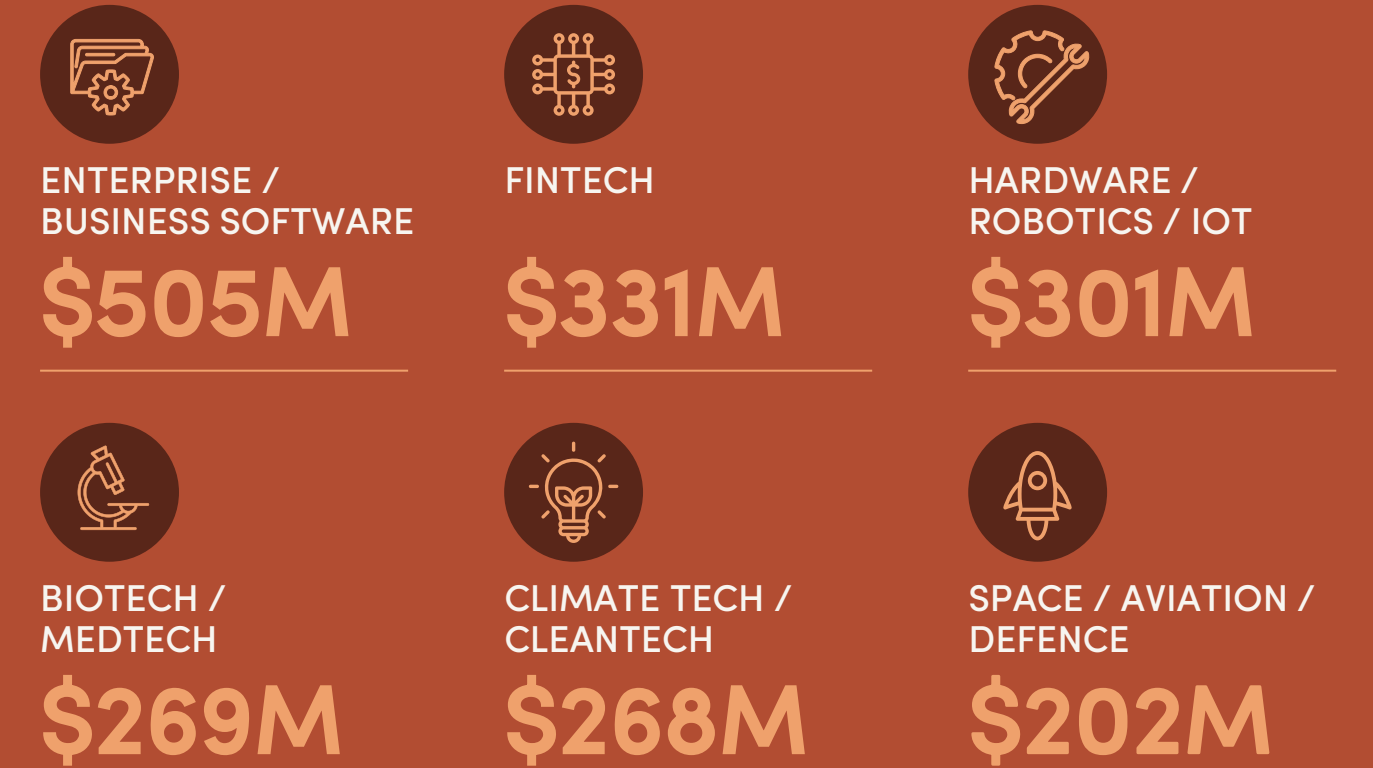
# Australian Venture Capital in 2023



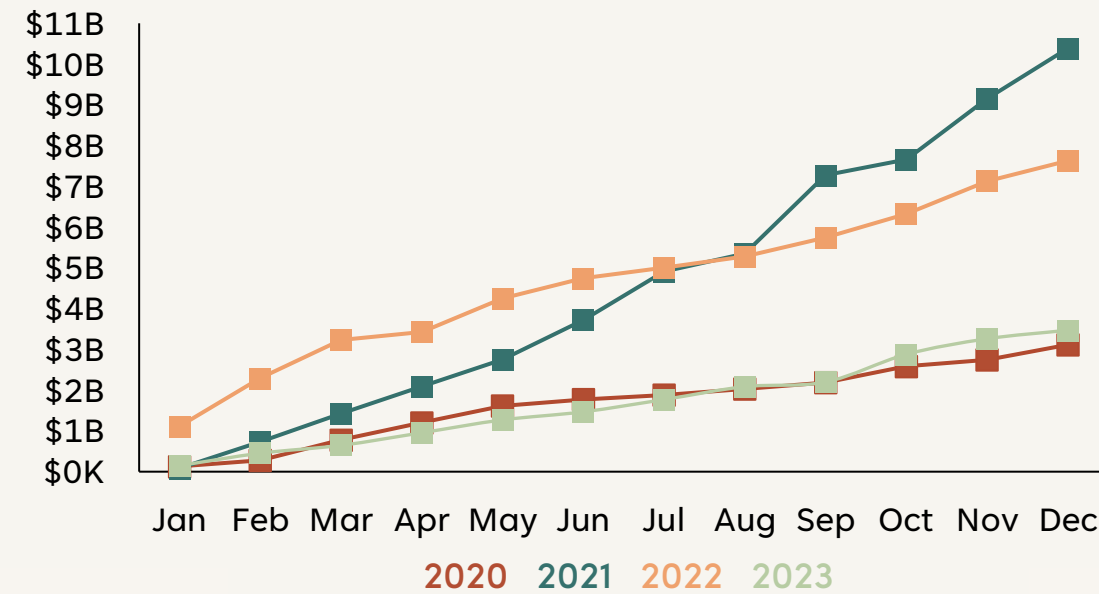
## Share of Capital Raised by State



## Top 6 Sectors by Capital Raised



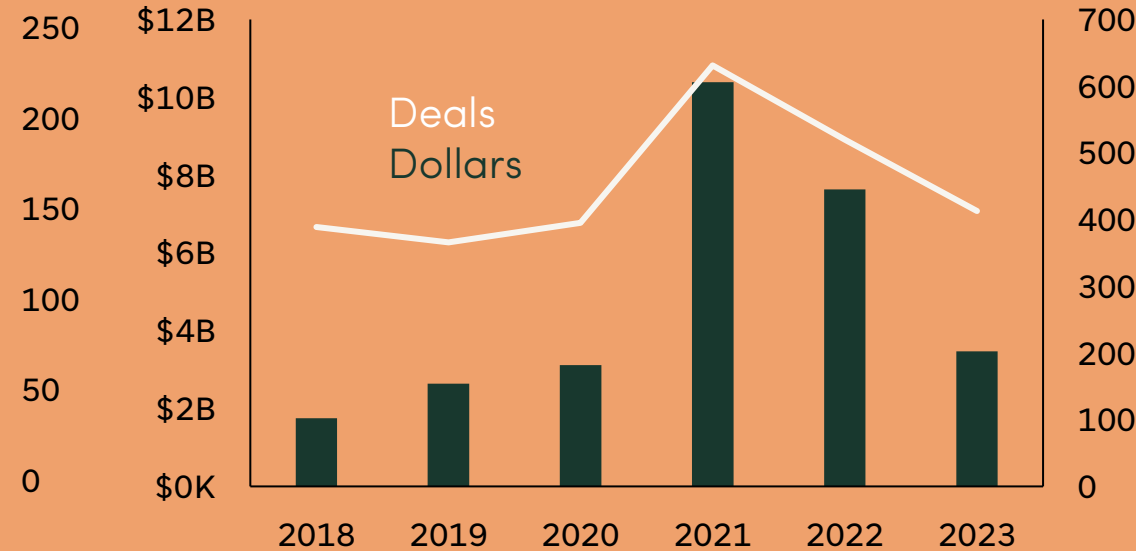
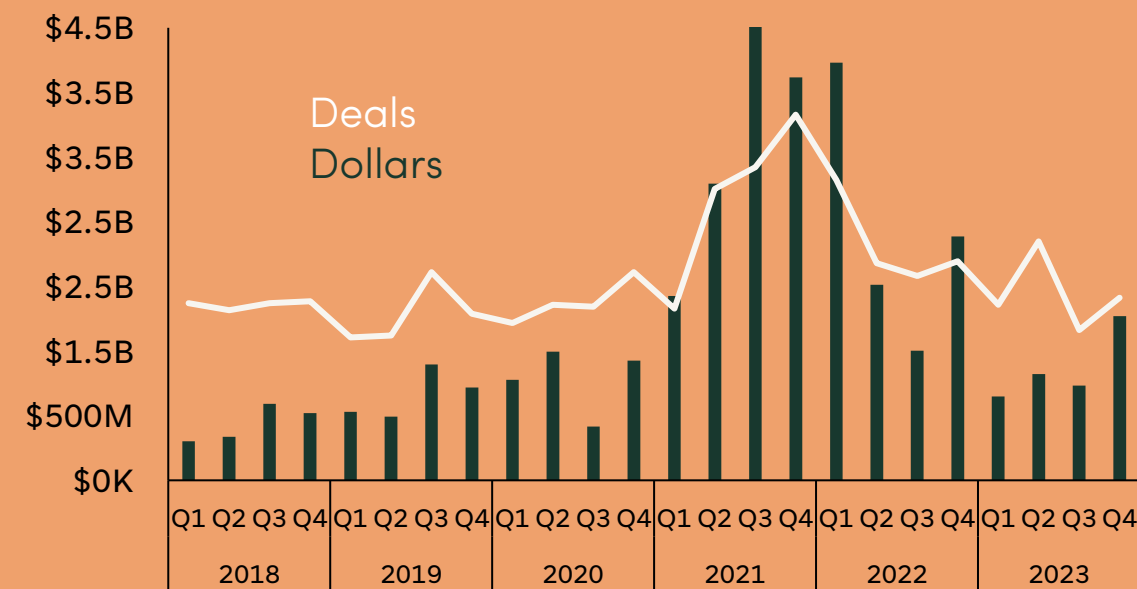
## Total Capital Raised



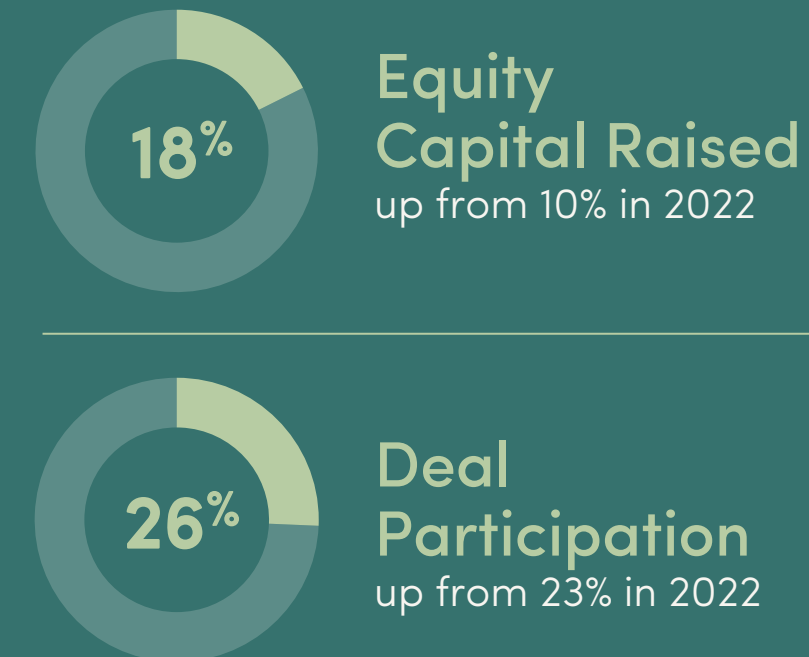
**41%** of investors saw a portfolio company shut down

**90%** of investors saw a portfolio company layoff staff

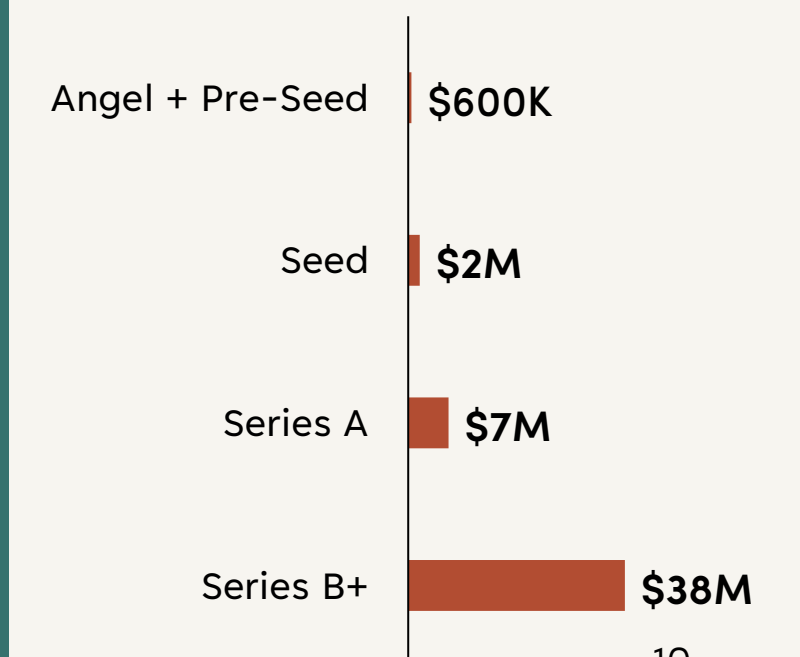
## Total Capital Raised and Number of Deals



## 2023 Women Founders Share



## Median Deal Size





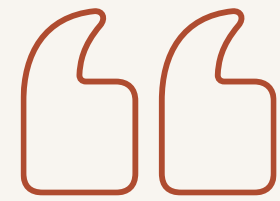
The final quarter of 2023 saw further pressure in public markets with an additional 25bp rate hike while inflation remained high. These flow-on effects to the private markets, and specifically Venture Capital, resulted in further tightening of valuations alongside conservative investment decisions.

A significant portion of investments were made into bridging rounds for existing portfolio companies in an effort to support and extend runways through these tough times. The best startups are still being funded, but capital raises are taking longer, and due diligence is extensive.



**Georgia Barkell**

Managing Partner  
Sprint Ventures



The Australian venture landscape continues to grow and evolve into a thriving community of financiers. Australia now has active and experienced investment firms across all stages of a startup's journey; from pre-seed through to growth equity and beyond.

The sector now has deep domain expertise across all business models from deep technology to consumer to fintech. Australian venture is also proving an ability to deliver material cash outcomes for their investors and compete as top-decile managers on a global scale.



**Justin Lipman**

Partner  
EVP



The needle has been moving around for VC funding this year. Startups who have demonstrated focus and delivered disciplined progress are getting strong rounds away, however, fundraising timelines remain protracted.

Navigating the fundraising environment and finding the right investor is crucial. At Rampersand, we are spending as much time supporting founders through the challenging macro conditions as we are uncovering new startups for investment.



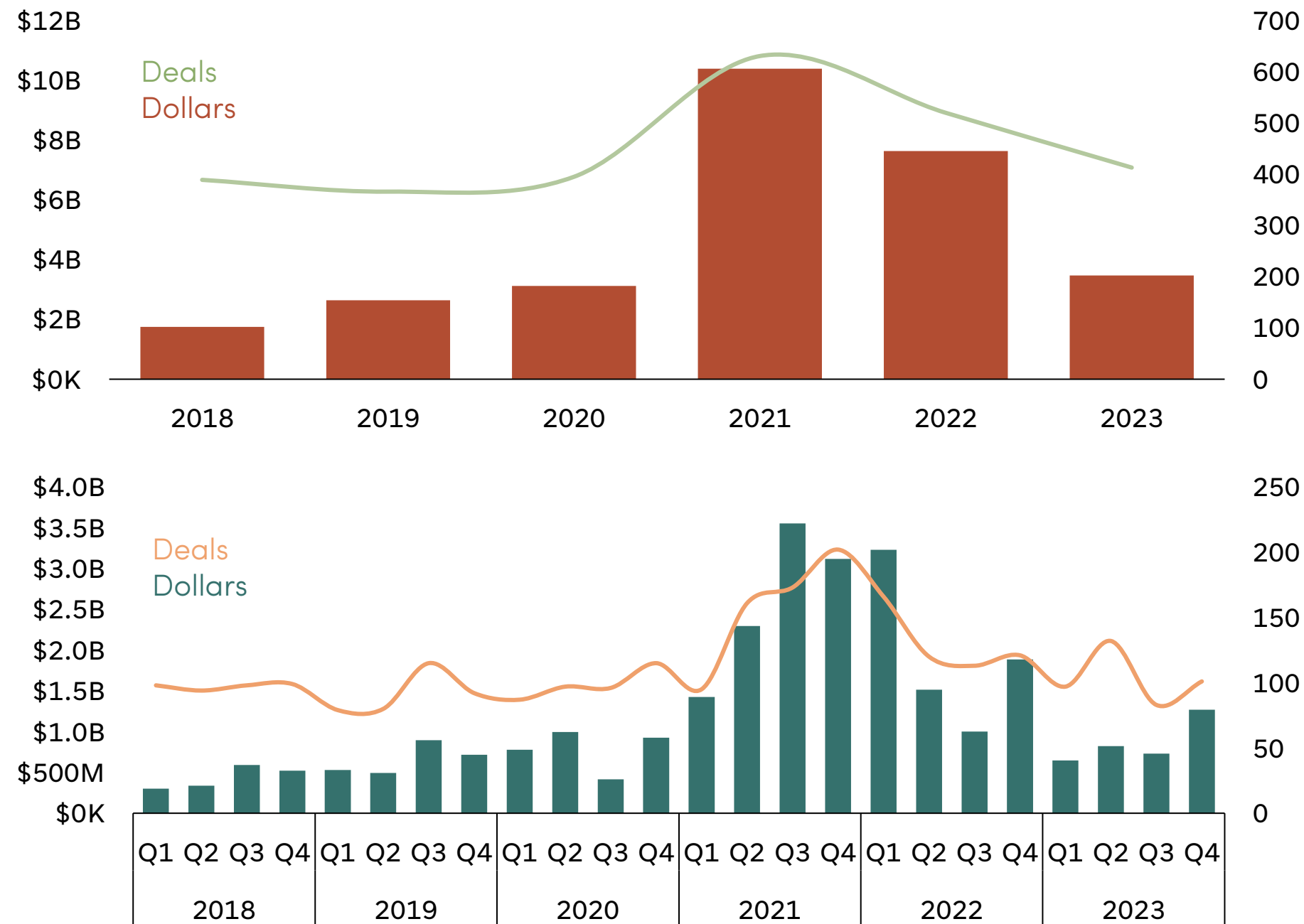
**Taryn Pieterse**

Principal  
Rampersand

# Global uncertainty drives significant slowdown locally

The Australian venture capital market was not immune to the global forces that suppressed activity across the sector in all major markets worldwide. Late-stage deals suffered the most significant impact, with activity at Series B and beyond slowing to a snail's pace.

Total capital raised and number of deals – annual and quarterly



After a late surge in reported deal activity in Q4 2022, Australian startup funding experienced its slowest start since 2019, with Q1 2023 volumes tumbling 50% compared to Q1 2021 and 20% compared to 2022.

The reset took hold, and there was never any signal that a surge was imminent. The global macroeconomic environment had shifted dramatically, with rising interest rates, inflationary pressures, and geopolitical turbulence, collectively causing investors to take a deep breath and slow down.

Locally, news of startup layoffs and closures took hold of the narrative for the first time. Behind closed doors, investor-founder conversations, for the most part, focused on steadying the ship and ensuring that growth was pursued, but not at all costs.

While immediate profitability did not become the goal for all startups, a tilt towards greater self-sustainability almost universally did.

Deal volumes showed signs of energy at times throughout 2023; however, overall funding volumes stayed muted due to the absence of a consistent drip of mega-deals to which the market had become accustomed in 2021 and early 2022.

By year's end, Australian startup funding reached \$3.5 billion, marking a 54% decline from what was seen in 2022. A Q4 uptick in reported deals saw 2023 marginally pip 2022 by \$400M and 19 reported deals.

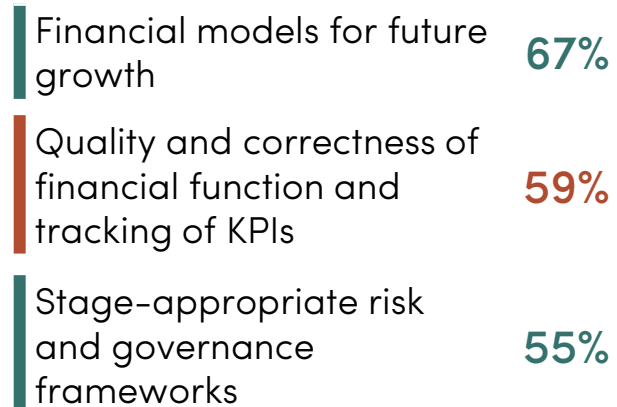
PARTNER INSIGHT

# From promise to performance: Changing diligence considerations in 2023



FOUNDER SURVEY INSIGHT

Which of these areas will you be placing more focus on in the future when conducting due diligence into a potential startup investment?



Top 3 responses shown. Percentage of respondents who the criteria listed as a top priority.

**2022 was the year of turbulence, 2023 was the year of prudence.**

Off the back of the slowdown in funding in late 2022, the last 12 months have seen founders operating in a highly capital-constrained environment. What became apparent very quickly was that while capital was still available, a founder’s ability to access that capital changed dramatically.

This year, due diligence has evolved from a checkbox exercise to a robust (often months-long) process where no stone is left unturned. In addition to capital, investors invest significant time to ensure that they make sound investment decisions. Information provided is no longer taken at face value. Everything is stress-tested, from customer feedback to financial models and regulatory compliance.

These are not a deviation, but a correction – at least for the foreseeable future. In 2024, due diligence will play a significant role in the capital-raising process, and founders need to bake this into their operations and capital-raising timelines.

Notably, for founders, investors are skewing their due diligence towards three key areas: growth trajectories, past performance, and guardrails to mitigate risk in the future.

**Financial models for future growth**

From investors surveyed in this year’s Cut Through Venture report, the answer is resoundingly clear: the most important component for capital raising is the ability to articulate a clear growth narrative. VCs are inherently a vehicle to fund abnormal growth, but in 2024, that abnormal growth needs to be demonstrated with sophisticated financial models grounded in sound reasoning and derived from insights, not ideas.

Over the next 12 months, the startups that will get funding are those who have clarity between where they are and where they want to be, with a careful and rigorous lens they can apply for future decision-making.

**Quality and correctness of accounting and financial reporting**

Going hand in hand with increased scrutiny on financial models, 2023 saw investors dig deeper into a startup’s books – a trend that investors surveyed say will only become stronger in 2024.

Previously, a track record of unclear, disorganised or non-existent financial reporting may have slipped through the cracks every now and then. Not anymore. Founders need to pay close attention to their finance function, keep accurate records, and be prepared for investors to look at the last 12-24 months (or more) before they make a decision on funding.

**Stage-appropriate risk and governance frameworks**

For founders, governance has historically been seen as an inhibitor of speed. However, in 2023, investors and founders alike have emphasised the need for processes to ensure startups maintain transparency and accountability to customers, investors, the board, and the public.

In the next 12 months, investors expect to place more importance on ensuring a startup has the appropriate processes and practices. The key here is the word appropriate: implementing the minimum viable governance at every stage of growth will allow startups to meet their legal and regulatory obligations without being bogged down in the practices required at later stages of growth.

**The bottom line:** Founders preparing to raise in the next 12 months should expect an extensive due diligence process and adjust their fundraising timelines. However, even those who aren’t actively raising can use these insights to strengthen their operations and put themselves in the best position possible for a future raise.



**Amanda Price**  
Head of High Growth Ventures  
KPMG Australia

The above does not constitute advice and should not be relied upon as such. You should always obtain professional advice based on your specific circumstances before taking any action relating to matters covered by this publication. Some information may have been obtained from external sources, and we cannot guarantee the accuracy or currency of any such information.



Aussie founders build some of the best startups in the world.

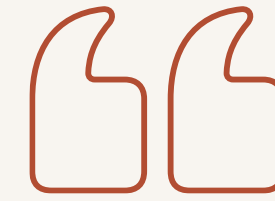
Looking to the future, we see a more resilient generation of founders, weathered by adversity and armed with the collective knowledge of our industry.

Folklore is at the ready for founders with big ideas wearing their global ambition on their sleeves.



**Bec Wendland**

Investor  
Folklore Ventures



Isaac Newton once said, “If I have seen further, it is by standing on the shoulders of Giants”.

Right now, we are seeing the third generation of Aussie and Kiwi founders reveal itself; operators trained and inspired by the technology giants of former generations and who stand ambitiously on those shoulders.

We are galvanised by the emerging pool of exceptional founders and local momentum in sectors such as AI, deep tech, and bottom-up SaaS.



**Tom Humphrey**

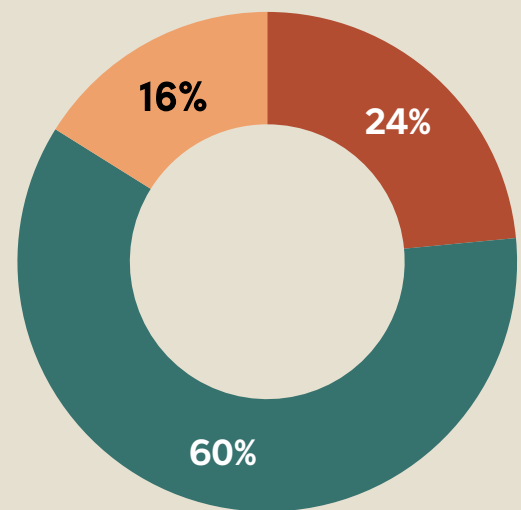
Partner  
Blackbird Ventures

INVESTOR SURVEY INSIGHTS

# Valuations tumble across all deal stages

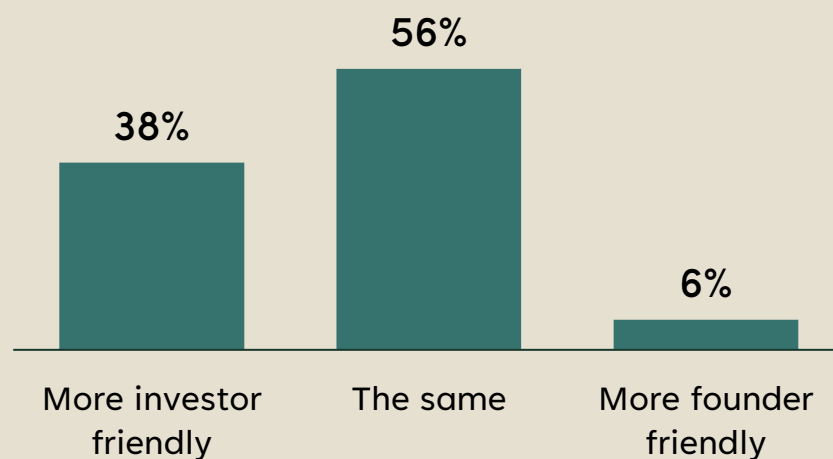
Surveyed investors reported falls across the board, with later-stage transactions most impacted. The majority now believe pricing has likely stabilised.

What do you believe will happen to valuations in 2024?

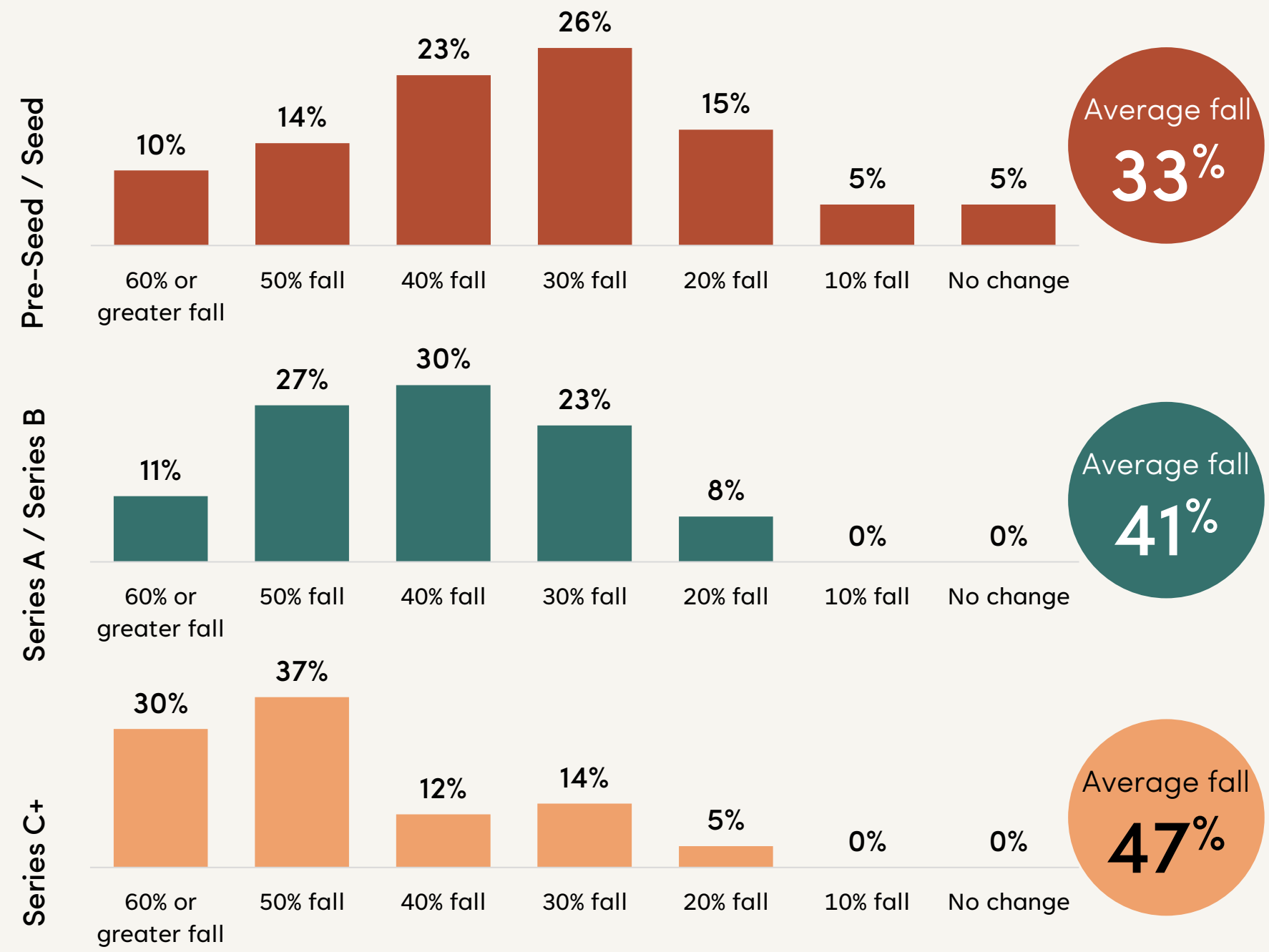


■ Rise ■ Stay the same ■ Fall

How do you expect deal terms to evolve over the next 12 months?



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



2023 was a quiet year for most VCs. At the pre-seed and seed stages, great deals were still out there, but there were fewer of them, and they were quite competitive. Valuations were somewhat reduced, but what we did see is a little more time to consider and complete deals.

Coming into 2024, there is a lot more confidence and optimism in the sector. Aside from the government's crazy suggestion to almost double the sophisticated investor test thresholds, it feels like the ecosystem is coming out of its recent partial hibernation.



**Andrea Gardiner**  
Chief Executive Officer  
Jelix Ventures



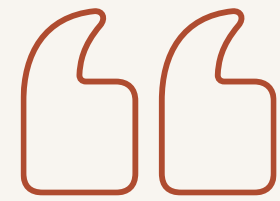
After a hell of a tough year, we've sadly seen some serious struggles, and many startups have shut shop. Funding at all stages, particularly in the “valley of death” stage, where bigger cheques are required.

However, it's all part of the normal innovation cycle - and at early stages, for innovative and defensible tech, there's still angel funding in health to be found. And more legacy companies and big organisations like health insurers are putting money where their mouth is with innovation. Even if it is in a slightly less traditional VC deal shape - which is what's needed for Aussie Health.



**Emily Casey**

Director, What the Health  
Principal, Side Stage Ventures



While there are now more funding options available for seed-stage founders, the hurdle to Series A is getting higher. Founders need focused, early-stage support to ensure they're able to clear it.

More than ever, seed-specialist VCs aren't just there for early cash injections - it's our job to sufficiently de-risk startups across all business areas to make them appealing to Series A appetites.

That means establishing clear growth benchmarks from day one, investing across multiple smaller rounds at seed to prove/disprove assumptions, and dedicating more time and resources to help founders succeed.



**Maxine Lee**

COO & Investment Director  
Skalata



We have never been more bullish about investing in early-stage companies. We not only believe that it provides the best potential for outsized returns, but with the new frontier of AI tools making companies more efficient than ever, we believe that in some cases, it may be the only time to access these opportunities as an investor.

Where growth used to rely on frequent and increasingly larger capital injections, we believe some of the best companies in the future will only require a small amount of startup capital, and then off they'll go...



**Rachael Neumann**

Co-Founding Partner  
Flying Fox Ventures



# Smaller round sizes across the spectrum

Increased competition for deals at the Angel and Pre-Seed stages led to early deals resisting the downward trend in deal size.

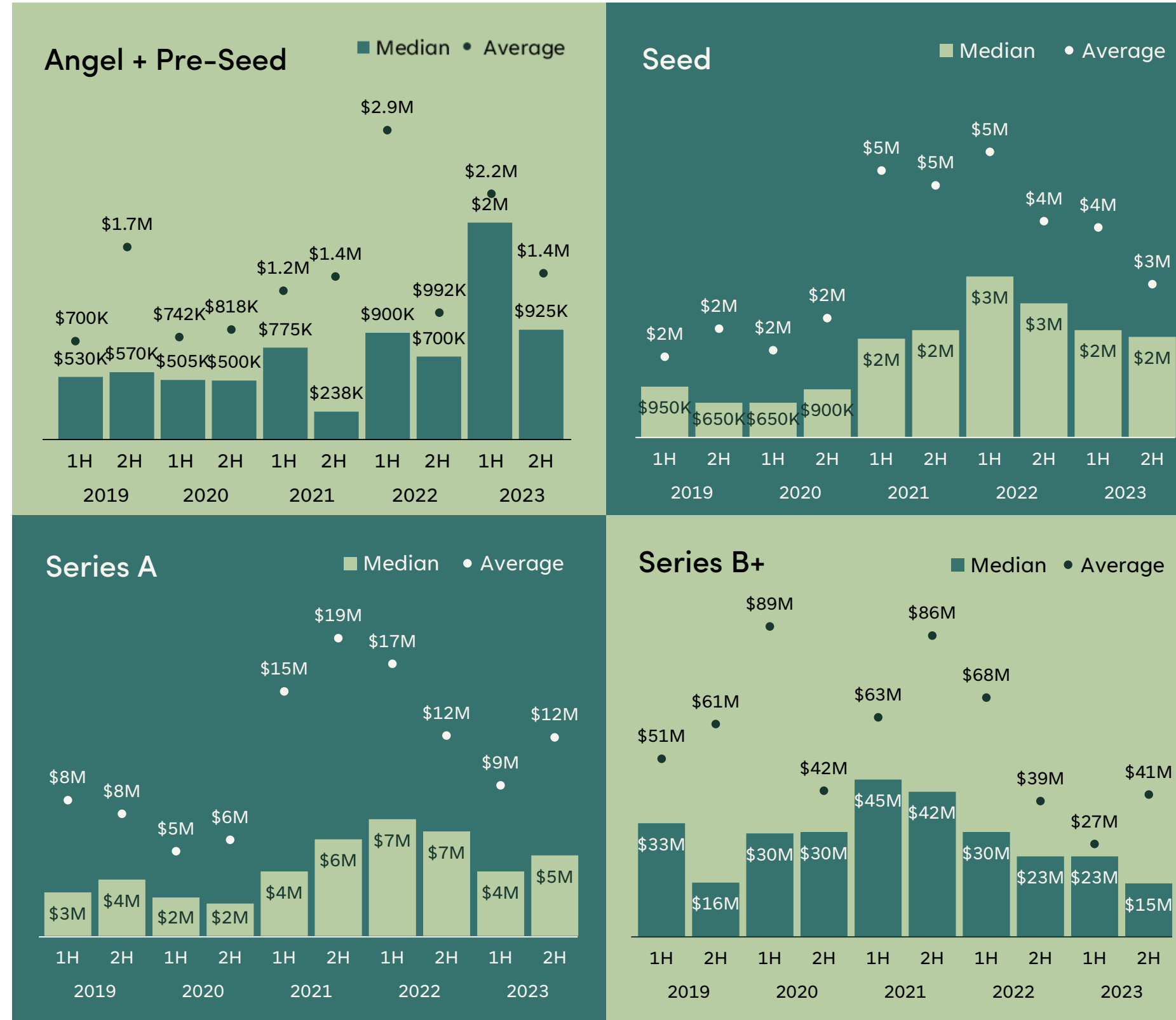
The hard data on deal sizes corroborated the shift in valuations reported in our investor survey. Rounds are harder to raise, and valuations are being examined more closely – and round sizes are smaller.

Median deal sizes, which are unaffected by outlier mega-deals, at the Seed through Series B+ stages decreased from the 2021 and 2022 levels.

Later-stage deals saw the most significant percentage decline, with median Series B or later deals reducing to under a third of their early 2021 sizes by the second half of 2023. This is largely driven by the increased comparison of the valuations of late-stage startups to their publicly listed technology peers.

The gap between average deal sizes and medians, reflecting outlier deal prevalence, remained despite smaller average deals. This suggests that what constitutes a “big deal” is now significantly smaller, even as outliers persist.

Investors observed reduced competition beyond Series A funding rounds, with almost half reporting heightened competitiveness at the Pre-seed and Seed stages, thereby maintaining stable deal sizes and valuations at these early stages.



**48%**  
of investors felt that Pre-seed and Seed deals became more competitive in 2023

**19%**  
felt Series A and B deals became more competitive in 2023

**90%**  
felt Series C+ deals became less competitive



In the first half of 2023 alone, there was \$1.5bn AU funding into startups which is more than the total amount in 2018.

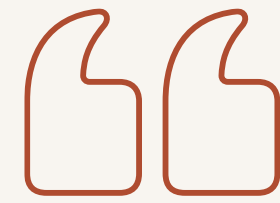
In 2023, global cloud spend increased year-on-year by 20% and is still expected to increase by 2.5x over the next 3 years, with almost half of this growth expected to be driven by AI.

While 2023 has been characterised with slower number of deals and falling valuations – valuations have reset to closer to 15-year averages, and the growth in technology, cloud, and AI, in my view, will only increase.



**Isabella Rich**

Principal  
OIF Ventures



Folklore is optimistic heading into 2024.

We're excited by the ambition of Australian founders, and our front row opportunity to help build global software startups catalysed by the tectonic shift underway in AI.

As investors, this may be a once in a generation opportunity. A dose of optimism, mixed with Aussie founder pragmatism, may see us exceed even the wildest of our collective dreams.



**Sachin Samarawickrama**

Investor  
Folklore Ventures



After a challenging 12-24 months for founders, we're coming into 2024 feeling optimistic at the signs that software buying behaviour is changing. We've been hugely impressed by the resilience of ANZ founders as they emerge from difficult market conditions battle-hardened and with more efficient business models.

We're particularly excited about the potential for AI to make startups more productive and products more magical. Whether they're right at the beginning or running mature businesses, we think 2024 is going to be an exciting year to be backing the next generation of ANZ founders.



**Olivia Grivas**

Investor  
Skip Capital

# Large deals grind to a halt

After a surge in Q4 2022, large deals came to a complete standstill in Q1 2023.

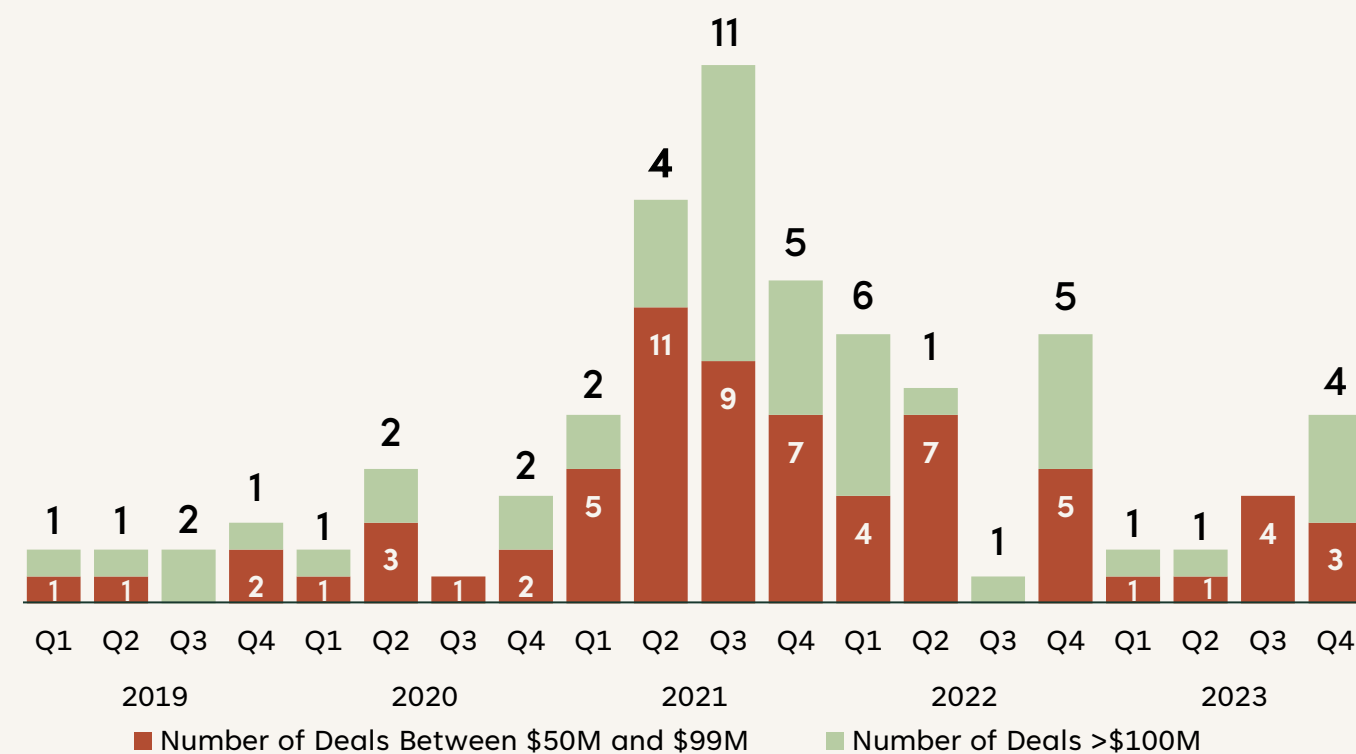
As the year progressed, the level of activity did not rebound; the proportion of all deals exceeding \$20 million fell to 10% from the 2021 high of 21%, and the proportion of deals over \$50 million decreased to 2%, a significant drop from the 9% peak.

The international investors who had been active in the mega-deals of 2021 were conspicuously absent, and the prevailing view shifted towards advising later-stage startups—especially those that had raised funds during the ZIRP era—to adopt cost-saving strategies to grow into, or closer to, their previously marked valuations.

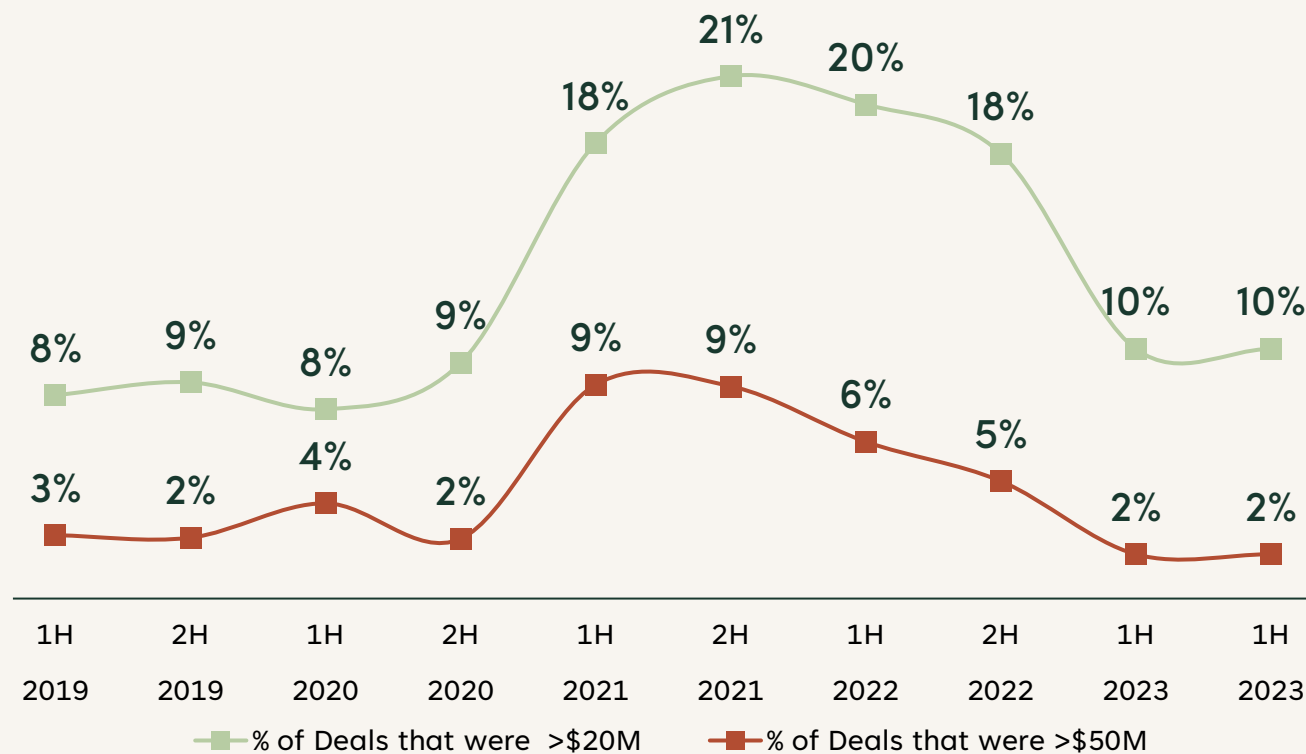
**15** Announced deals of **>\$50M** (vs 28 in 2022)

**40%** of total funded accounted for by 15 largest deals

Count of deals greater than \$50M + \$100M – by quarter



% of Deals that were greater than \$20M – by half year



**54** \$50M+ deals in 2021

**29** \$50M+ deals in 2022

**15** \$50M+ deals in 2023

**22** \$100M+ deals in 2021

**13** \$100M+ deals in 2022

**6** \$100M+ deals in 2023



VC bull markets rely on a strong start-up base to trailblaze new innovations to market. In 2023 this market leadership was narrow. The few startups that performed well while raising capital crowded out their peers, shortening overall growth in the sector.

The final quarter of 2023 posed challenges for founders and investors with money largely held under a ‘wait and see’ approach and only deployed following a highly selective process.

For most, valuations remained low and investment timelines long. For outliers, ultra-competitive rounds remained hotly contested. This led to subdued activity in the final few months of the year.”



**Charlie Ill**  
Chief Investment Officer  
Investible



Many Series B and later businesses are still adjusting to the ‘new norm’ of growth vs. burn, and some continue to suffer from slower growth, longer sales cycles and increased churn.

Despite this, we remain highly optimistic about the future as we have seen a recent dramatic increase in high quality new (or very early-stage) technology businesses being established.



**Damian Fox**

Partner  
Carthona Capital



Later-stage deals started to drop at the end of 2021 as companies looked to extend runway and delay funding, and that’s largely continued throughout 2023.

In venture, there are always outliers, and we’ve seen that in our portfolio with 3 of AirTree’s unicorn portfolio companies—Employment Hero, Go1 and Pet Circle—raising rounds this year at or above their previous valuations, defying the narrative around the lack of capital available at the growth stage.



**Elicia McDonald**

Partner  
AirTree



The next foundational technology shift is truly upon us with the Artificial Intelligence revolution, and in this era, the significance of venture capital as an asset class can’t be overstated.

Venture fuels innovation and economic growth and is indispensable in facilitating and propelling the development of the upcoming generation of pioneering and globally influential Australian technology enterprises.















**Grant McCarthy**

Founder & Managing Partner  
Tidal Ventures

# Deals greater than \$50 million

There were fifteen reported deals exceeding \$50 million and just six surpassing \$100 million. These mega-deals were widely represented across various sectors, and eight transactions involved at least one international fund. Without full details reported for some of the below transactions, it is possible that a component of the reported deal value may have comprised debt.

 <p><b>\$263M</b> Series F</p> <hr/> <p>Enterprise / Biz Software</p>	 <p><b>\$150M</b> Series A</p> <hr/> <p>Bio Tech / Med Tech</p>	 <p><b>\$120M</b> Series A</p> <hr/> <p>Space / Defence</p>	<p>ARKON ENERGY</p> <p><b>\$110M</b> Series B</p> <hr/> <p>Blockchain</p>	 <p><b>\$109M</b> Series E</p> <hr/> <p>Marketplace</p>
 <p><b>\$105M</b> Series B</p> <hr/> <p>Agriculture</p>	 <p><b>\$78.6M</b> Series A</p> <hr/> <p>Enterprise / Biz Software</p>	 <p><b>\$75M</b> Series D</p> <hr/> <p>E Commerce / Retail</p>	 <p><b>\$73M</b> Series C</p> <hr/> <p>DevTech</p>	 <p><b>\$70M</b> Series D</p> <hr/> <p>FinTech</p>
 <p><b>\$64M</b> Series B</p> <hr/> <p>Enterprise / Biz Software</p>	 <p><b>\$60M</b> Series C</p> <hr/> <p>HealthTech</p>	 <p><b>\$55M</b> Series C</p> <hr/> <p>Hardware / Robotics</p>	 <p><b>\$50M</b> Series A</p> <hr/> <p>Space / Defence</p>	 <p><b>\$50M</b> Series C</p> <hr/> <p>Hardware / Robotics</p>

## Mega deals slip back to 2020 levels

### Deals over \$50M

15 deals in 2023  
29 deals in 2022  
54 deals in 2021  
12 deals in 2020


### Deals between \$20-\$50M

32 deals in 2023  
54 deals in 2022  
72 deals in 2021  
22 deals in 2020

### Deals between \$10-20M

38 deals in 2023  
77 deals in 2022  
65 deals in 2021  
31 deals in 2020

# Deals greater than \$20 million

 <p><b>\$47M</b> Series A</p> <hr/> <p>AI / Big Data</p>	 <p><b>\$40M</b> Series C</p> <hr/> <p>Agriculture / AgTech</p>	 <p><b>\$35M</b> Series B</p> <hr/> <p>Climate Tech</p>	 <p><b>\$34M</b> Series E</p> <hr/> <p>Enterprise / Biz Software</p>	 <p><b>\$34M</b> Series A</p> <hr/> <p>Food / Beverage</p>	 <p><b>\$32M</b> Seed</p> <hr/> <p>FinTech</p>	 <p><b>\$30M</b> Series A</p> <hr/> <p>Cyber / Privacy</p>	 <p><b>\$30M</b> Series B</p> <hr/> <p>DeepTech</p>
 <p><b>\$30M</b> Series E</p> <hr/> <p>EdTech / Training</p>	 <p><b>\$30M</b> Series A</p> <hr/> <p>FinTech</p>	 <p><b>\$29M</b> Series A</p> <hr/> <p>Ecommerce / Retail</p>	 <p><b>\$28M</b> Series A</p> <hr/> <p>Cyber / Privacy</p>	 <p><b>\$28M</b> Series A</p> <hr/> <p>FinTech</p>	 <p><b>\$28M</b> Series B</p> <hr/> <p>FinTech</p>	 <p><b>\$28M</b> Series B</p> <hr/> <p>Hard / Robot / IOT</p>	 <p><b>\$28M</b> Series A</p> <hr/> <p>Marketplace</p>
 <p><b>\$27M</b> Series C</p> <hr/> <p>FinTech</p>	 <p><b>\$26M</b> Series A</p> <hr/> <p>BioTech / MedTech</p>	 <p><b>\$26M</b> Seed</p> <hr/> <p>Hard / Robot / IOT</p>	 <p><b>\$25M</b> Series B</p> <hr/> <p>BioTech / MedTech</p>	 <p><b>\$25M</b> Series B</p> <hr/> <p>Consumer Product</p>	 <p><b>\$25M</b> Series A</p> <hr/> <p>Food / Beverage</p>	 <p><b>\$24M</b> Series B</p> <hr/> <p>Climate Tech</p>	 <p><b>\$23M</b> Series A</p> <hr/> <p>Climate Tech</p>
 <p><b>\$23M</b> Series A</p> <hr/> <p>Climate Tech</p>	 <p><b>\$23M</b> Series B</p> <hr/> <p>Hard / Robot / IOT</p>	 <p><b>\$22M</b> Series B</p> <hr/> <p>Climate Tech</p>	 <p><b>\$22M</b> Series B</p> <hr/> <p>EdTech / Training</p>	 <p><b>\$22M</b> Series A</p> <hr/> <p>HealthTech</p>	 <p><b>\$20M</b> Undisclosed</p> <hr/> <p>Climate Tech</p>	 <p><b>\$20M</b> Series A</p> <hr/> <p>Hard / Robot / IOT</p>	 <p><b>\$20M</b> Series A</p> <hr/> <p>Transp / Log / Supply</p>



While it's been a tough year for startups and funds alike in many respects, it's also been a year where the ecosystem has continued to mature.

We've seen international funds investing with confidence in Australia, and earlier. We've seen more variety in types of funds and funding models, from sector specificity to venture debt.

And, albeit slowly, we've seen more focus on the deep tech solutions that will be much needed to achieve our urgent decarbonization goals. Here's to continued growth in 2024!



**Sarah Nolet**

Managing Partner  
Tenacious Ventures



The next decade is gearing up to be a unique and exceptional one for Australian startups.

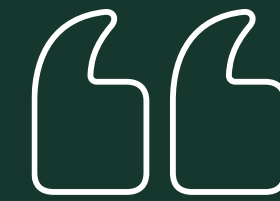
Like the UK, a decade earlier, there is a perfect storm of maturing winners, world-class talent and universities, deeper pools of venture capital and an ecosystem increasingly set up to enable the very best entrepreneurs to thrive.

There really has never been a better time to start a company in Australia.



**Ben Grabiner**

Co-Founder & General Partner  
Side Stage Ventures



2024 will be three years since the 2021 'ZIRP' mania. 2024 may reveal whether startups that raised record-smashing, 8-figure Seed rounds will arrive at their Series A significantly ahead of their counterparts who raised more sedate rounds.

It will be interesting to see whether large capital injections at Seed make startups go faster or find stronger product-market fit.



**Jessy Wu**

Partner  
Afterwork Ventures

# Most sectors fall

Capital-efficient Enterprise and Business Software took poll position in total funding for first time, with Climate Tech / CleanTech taking out top deal count spot.

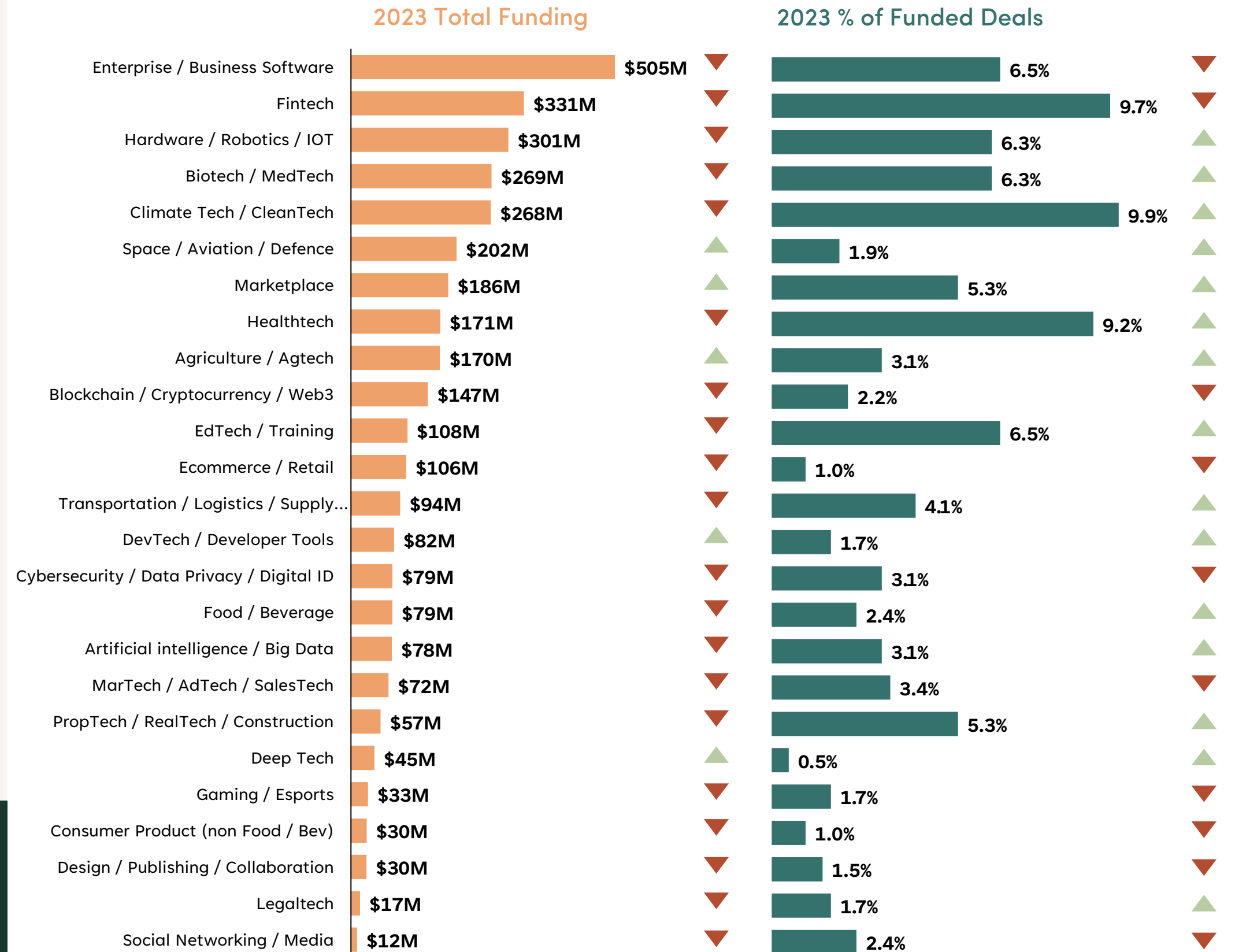
There was a return to the fundamentals of venture capital, with sectors traditionally receiving strong support dominating the funding pool. This mirrored global trends, which saw software, hardware, and the hard sciences dominate larger funding rounds.

Few sectors were immune to the decline in total funding, but most of the decrease in the total number of deals was attributed to declines observed within Enterprise and Business Software, Fintech, Web3, and Food and Beverage.

Other winners from a total investment perspective included Space / Aviation / Defence, Marketplaces, and DevTech, all of which moved up the rankings from relatively low bases. A flurry of smaller deals in Climate Tech, Healthtech, and EdTech / Training saw these sectors increase their share of total transactions.

While pure-play Artificial Intelligence startups only represented a small portion of the total funding and number of deals, there was a significant increase in startups mentioning the technology in their business descriptions – particularly across all software-focused sectors as well as, Fintech, Healthtech, and Cybersecurity. Our data is currently unable to provide a precise figure for this.

Investment by Sector (arrow indicates increase or decrease from 2022)



41

Deals in Climate Tech / ClimateTech – awarding it the top spot for the first time

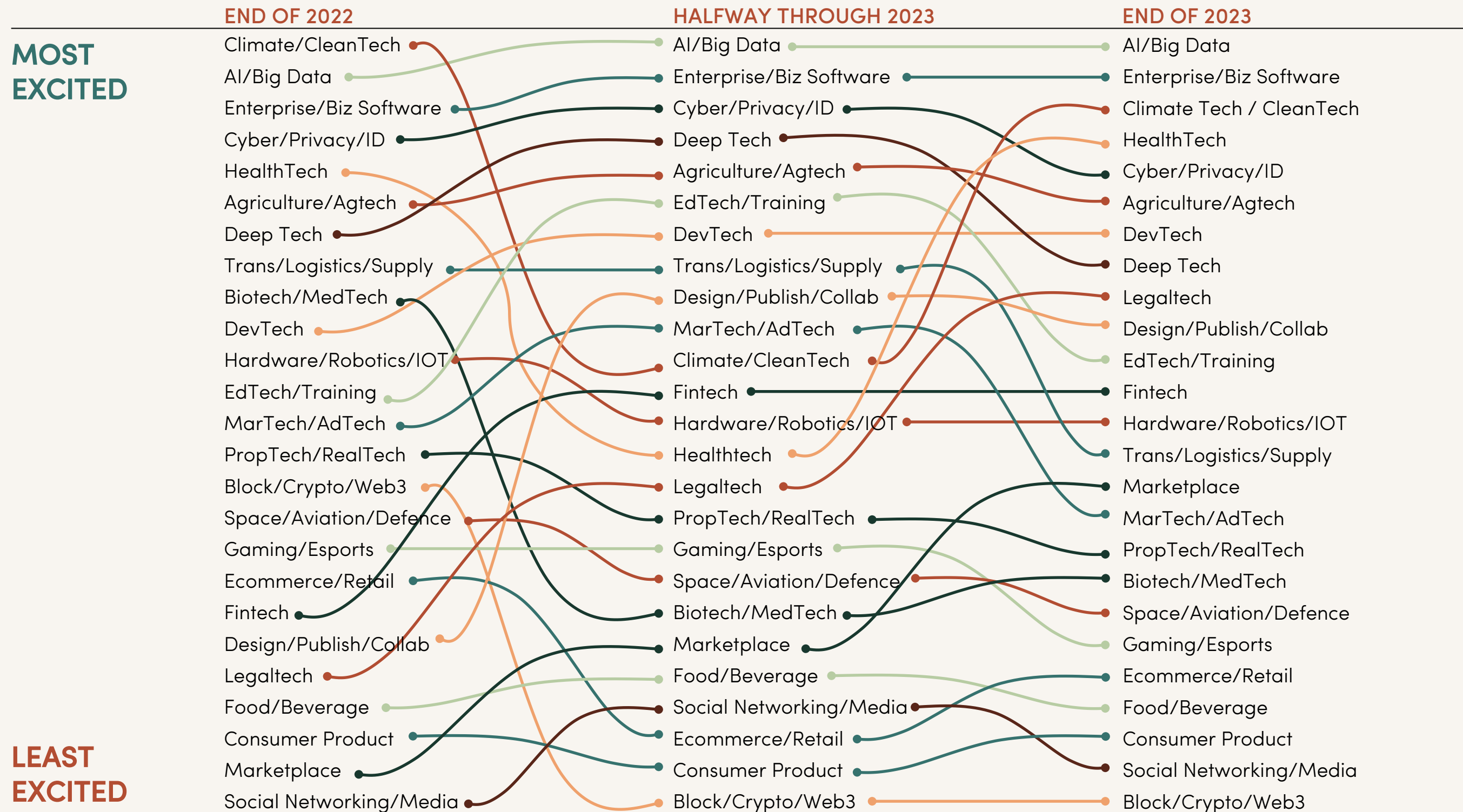
20 of 25

Sectors saw a fall in total funding compared to 2022



# Sector shifts in popularity

The investor survey identified AI/Big Data as the most exciting area to watch in 2024. There were few sectors that showed significant positive momentum compared to a year ago, however, specialised sectors such as Blockchain/Web3 and Bio/Medtech experiencing the most notable declines.



Championing crucial industries with tailored support is an investment in the very fabric of society.

Consider mental health—a sector where targeted support not only fosters individual well-being but yields long-term societal benefits, reducing burdens on healthcare systems and government resources. It's a strategic move towards a healthier, more resilient, and economically vibrant future for all.



**Alon Greenspan**  
Managing Partner  
Mind Ventures

2024 is the year that climate tech booms. Consumer demand, global regulation, and company growth are massively ramping up local and international investment.



**Mick Liubinskas**  
Chief Executive Officer  
Climate Salad



One of the most interesting characteristics of the current VC market is the bifurcation of opportunities by level of perceived quality. While there is no doubt that raising capital as a first-time founder, without runs on the board, has become considerably more difficult – founders with strong pedigrees and quantifiable progress have seemingly been able to execute their raises, albeit more slowly, on favourable terms.

Perhaps some of the ecosystem's many failures over the last couple of years have manifested into an even greater emphasis, from the perspective of investors, on partnering with generational founders with track records of success – and are comfortable paying for the privilege of doing so.



**Tristan Terry**

Director  
Aura Ventures



We're seeing a lot of healthy pre-seed and seed activity this year. For later stages, the best companies are still able to get funding at a mark-up from their last round. This is helped by an influx of capital from Southeast Asian VCs interested in leading later stages as they look to get exposure to B2B SaaS, which is a harder business model in their region but very common in Australia and New Zealand.

Of course, we are coming off the highs from 2021-22, but I would argue this is a return to normalcy, and 2021-22 were the aberrant years.



**Lucy Tan**

Principal  
Square Peg

# Incremental improvement for female founders

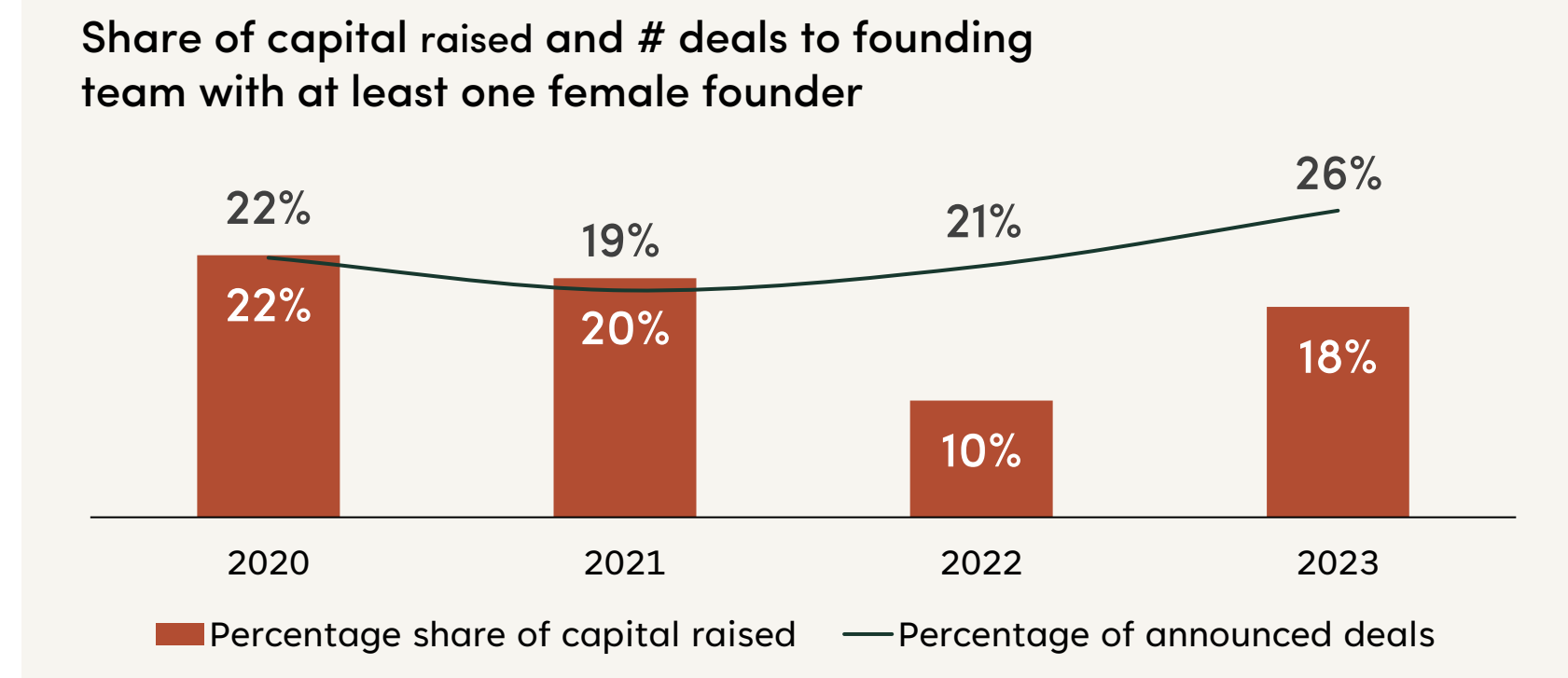
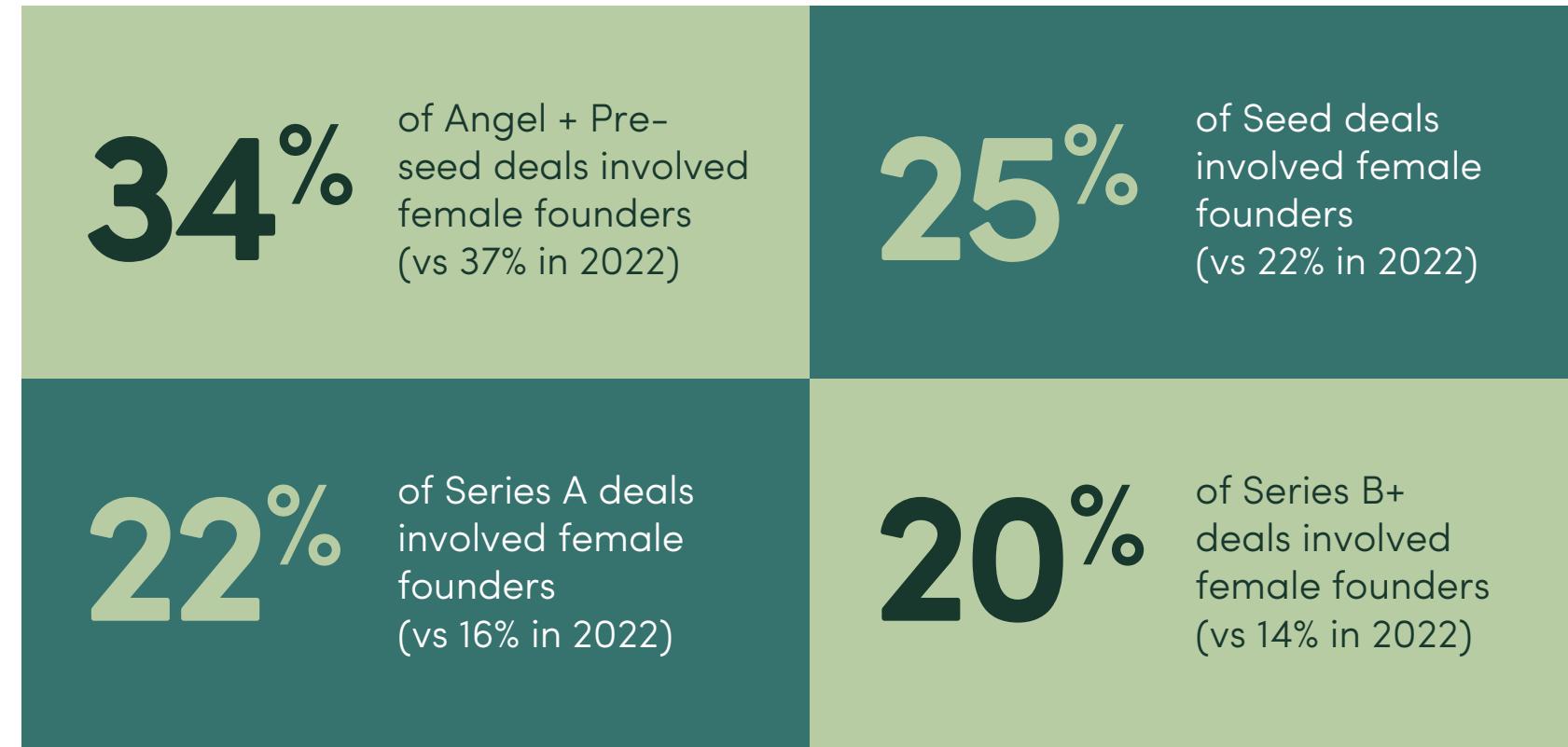
Overall outcomes for female founders remain below the levels that most in the ecosystem deem appropriate. However, some metrics provide encouraging signs.

The participation in deals by all-female or mixed-gender teams reached a five-year peak, while the share of total capital raised recovered from the low levels achieved in 2022. Nevertheless, it still fell short of the figures observed in 2020 and 2021.

The majority of these relative improvements were received by mixed-gender teams, a topic that is discussed in greater detail in the "The State of Gender Equity" section of this report.

Deal participation and the share of funding for founding teams with at least one female founder improved across all stages of investment. Yet the pattern of stronger outcomes at the earliest stages persists.

Industry participants are hopeful that the current increase in early-stage shares will lead to an increase in later-stage shares in future years – though, for the moment, this remains only a hope.



Despite making great progress in gender diversity at the top of the investment funnel, gender discrimination issues persist in the hardest place to change them: within the investment committee.

I've just got two words for any Australian venture fund manager who doubts the investability of female founders, and they are "Melanie" and "Perkins". In 2024 ask yourself: how long will I allow my unconscious gender biases to affect my fund's future performance?



**Alan Jones**  
General Partner  
M8 Ventures

Despite inexhaustible dialogue about the need to invest more in women-led and mixed-gender teams, the numbers tell a different story. Research show that women-led and mixed-gender teams are more likely to produce outsized returns, and yet the numbers remain paltry at best.

It is high time that investors take their responsibility to their LPs more seriously by investing in women-led businesses, instead of allowing their own biases to direct funding to lower performing all-male teams.



**Kirstin Hunter**  
Managing Director  
Techstars Tech Central Sydney



How we report on mixed-gender founding teams needs to be critically examined.

A company is considered female founded if it 'has at least one female founder in the mix', but on the cap table that can look like three-or-more male co-founders with substantially higher equity vs the individual female co-founder with less than 10%.

This blurring of lines and stark equity disparity compound the unethical issues in our startup ecosystem when we then look at the overall data - and it allows reporting to skew in favour of VCs to be seen as doing a good job on the funding gap.



**Doone Roisin**

Founder & Host  
Female Startup Club



The stats on funding of women founders are devastatingly low and easily discouraging as a founder as well as an investor.

It is important to keep creating a welcoming environment for women, not just waiting for the opportunity to invest, but all the way from the beginning - to encourage women to safely join the startup industry, build companies and widen the funnel.

There is no quick fix, but a long journey that all of us have a responsibility to be part of.



**Michael Batko**

Chief Executive Officer  
Startmate



Our industry is brimming with extremely talented and generous women who are building, mentoring and investing across the Australian startup ecosystem.

The evidence suggests that investing in women founders and diverse teams delivers stronger returns for investors and better economic outcomes for our nation.

It's time to turn goodwill to action and take practical steps to break down the systemic inequalities women face in securing the capital they need to start and, importantly, to grow the next generation of successful Australian startups.



**Jess Baird Walsh**

Venture Partnering  
KPMG Futures

# Who's still a unicorn?

A Q4 2023 report from the private securities marketplace, Forge Global, reported that 89% of the global unicorns crowned in 2021 have experienced a valuation decline. And a third of these have fallen below the mythical \$1 billion mark.

While this statistic might be jarring, it likely underestimates the gravity of the fall. Most recent round valuations are a limited measure, potentially overstating the size of the remaining unicorn herd, given that many companies have postponed their next price funding round, delaying a valuation update.

It's reasonable to infer that many unicorns anointed towards the end of the bull market in Q1 of 2022 have encountered a similar fate.

Aileen Lee, of US venture firm Cowboy Ventures, who is credited with coining the 'unicorn' term in 2013, provided analysis in January 2024 showing that 40% of prior unicorns are now valued below \$1 billion in secondary markets. She also highlighted that 60% of global unicorns were last valued during the January 2020 to March 2022 boom-time era.

As a principle, we refrain from hypothesizing about the performance of individual Australian startups without supporting data. However, of the fifteen Australian unicorns identified in this report last year, only four publicly disclosed re-priced primary or secondary rounds and revised valuations in

2023: Canva, Go1, Pet Circle and Safety Culture.

Despite many unicorns skillfully managing the past 18 months without resorting to a traditional equity funding round – achieved through a blend of growth, cost reductions, and alternative financing like convertible notes – these strategies are not indefinitely sustainable, especially for businesses yet to achieve profitability.

With the era of easy venture capital funding apparently over (or at least, for now, on long service leave), many of these scaleups who return to market looking for capital may struggle to meet the heightened performance expectations of the late-stage investors who remain in the market.

As cash reserves run dry, numerous unicorns (or former unicorns) will need to return to market for capital. Some will find willing investors, while others will likely need to explore exit strategies via a public market offering, but more likely M&A.

No new Australian unicorns were crowned publicly in 2023.

## New valuation announced in 2023

**Canva**  
US\$26B

**SafetyCulture**  
\$2.7B

**go1**  
\$3B

**PET CIRCLE**  
\$1.1B

## No new valuation announced in 2023

**Airwallex**  
\$8.8B

**ROKT**  
\$2.8B

**IMMUTABLE**  
\$3.5B

**Culture Amp**  
\$2B

**scalapay**  
\$1.9B

**linktree**  
\$1.5B

**GUZMAN Y GOMEZ**  
\$1.5B

**simPRO**  
\$1B+

**Octopus Deploy**  
\$1B+

**CYARA**  
\$1B+

**employmenthero**  
\$1B+

## PARTNER INSIGHT

# The class of 2010s is about to graduate – what does success look like?

A decade on from the launch of many of today's largest venture capital funds, the ecosystem now has a new challenge to reckon with: deliver cash back to the limited partners backing it.

this week in  
australian  
startups

It's almost a decade since some of the first funds from our now-booming VC ecosystem launched.

Compared to what's closed in the last three years, these early rounds were very modest – AirTree started with a \$60M fund in 2014 and, in 2022, closed three new funds totalling \$700M. Square Peg began with a \$200M fund in 2015 and closed a \$550M fund in 2022. Blackbird started with a \$30M fund in 2013 and a \$1B fund in 2022.

The growth in funds raised just from the big three VC firms alone shows the belief in VC and tech as a legitimate investment vehicle. It's important to remember this very point; LPs expect a return on their investment. The typical VC fund needs to achieve a 3x return to be considered a good investment.

As we near the end of life for these first funds raised, VCs will need to liquidate and return money to investors – the real test to see if our ecosystem is a viable investment vehicle, indeed.

M&A and IPOs boomed in the ZIRP environment, and the preferred exit strategy provided incredible returns for investors, founders and employees. Unfortunately, that's not the case anymore, with valuations taking a hit across

the board. In response, we've seen some funds opt to delay exiting positions at a lower valuation, and, instead, extend the life of their funds.

Running a successful venture firm that consistently provides a healthy return to investors is hard. Let's take a \$50M fund; at 3x, it would need to return \$150M. Say it invests \$10M in 5 startups, with a stake of 10% each. The VC thesis is that you need one, just one startup, to provide that outsized return to pay it off. If one of those five investments exits at \$1B, that's only a \$100M return – just 66% of the way there. One unicorn is generally not enough; it requires a decacorn or multiple unicorns in a fund. Take that in the context of billion-dollar funds being raised, and even a few decacorns may not be enough.

For these early funds, fortunately, Canva is currently reported to be valued at around \$40B; a 5% stake is a \$2B return, and even a 1% stake is \$400M. Assuming a healthy position for the big three, a healthy secondary sale later this year will be enough to provide a 3x or more return on these initial funds. An IPO in the coming years, however, would provide the opportunity for truly outsized returns if Canva continues its current trajectory – \$2B ARR and counting...

We've seen a mixture of both opportunities across the venture firms, some opting to sell down part of the stake in recent and upcoming secondaries, whilst also extending the deadline for some of these early funds to capture the upside of an IPO.

The challenge moving forward isn't going to be spotting the next Canva, it will be spotting and nurturing multiple Canva's per fund.

Whenever you take capital, there comes a time when that investor comes knocking asking for their returns – that time is now for the first VC funds in Australia. The validation that comes with showing a positive return would help mature Australia into a Tier 1 market with more capital, knowledge and experience being made available to reinvest into our ecosystem to start the next 10 Canva's and Atlassian's.



**Haris Qureshi**

Founder  
This Week in Australian Startups

# The other side of the coin: VC fundraising activity

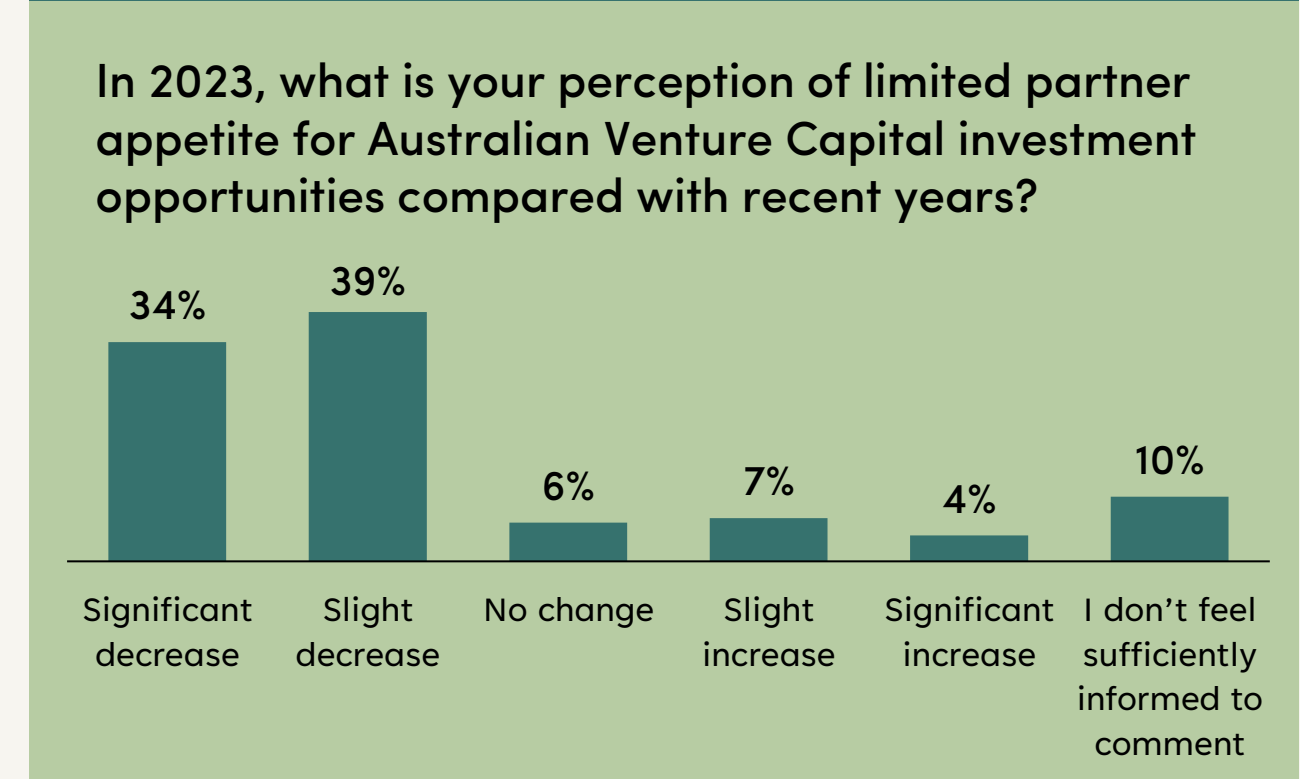
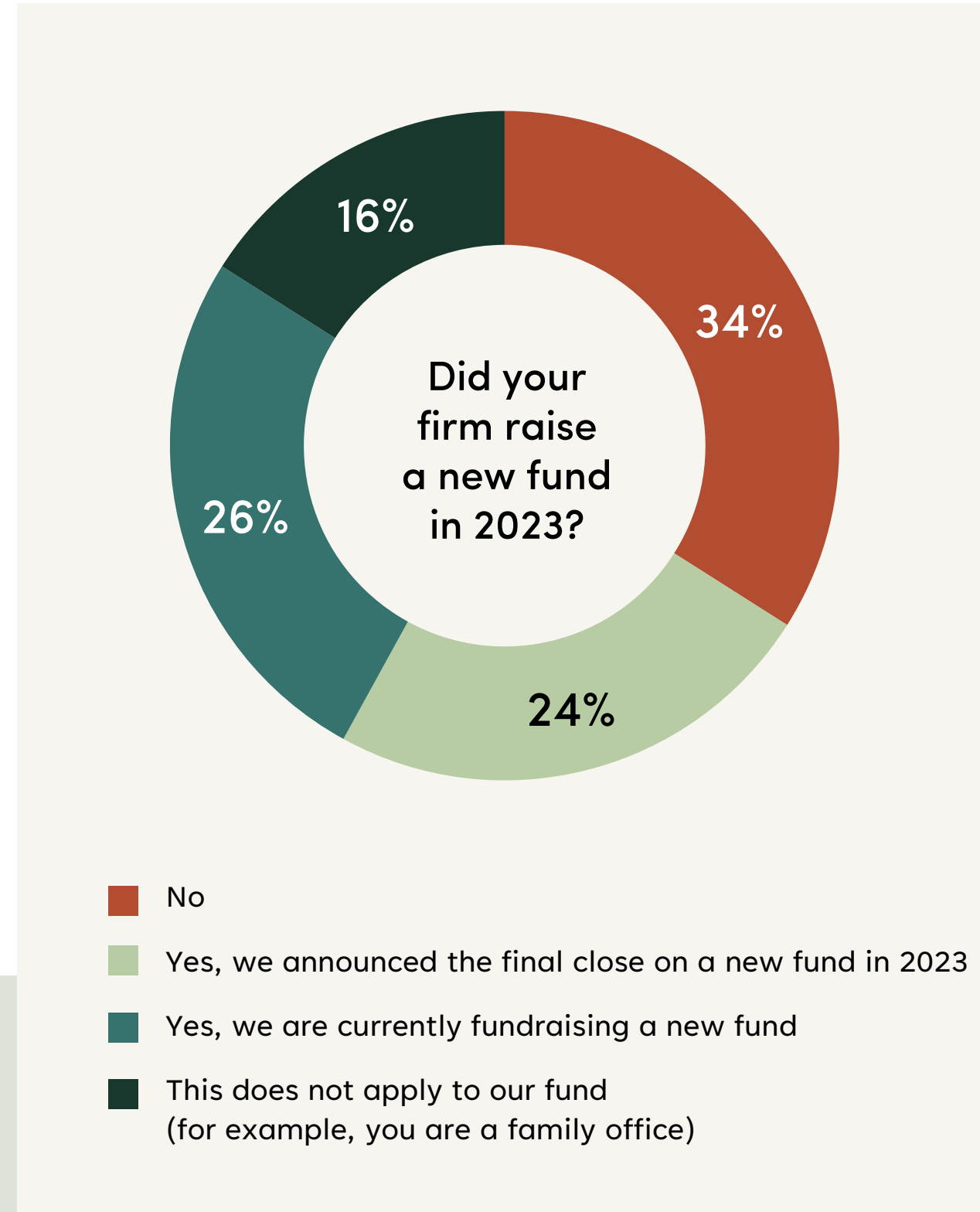
Despite the turnaround in global listed technology markets, venture capital funds faced a challenging environment for attracting investments from Limited Partners in 2023.

The denominator effect, which resulted in many Limited Partners being disproportionately invested in private markets when public markets tumbled in 2022, combined with the substantial capital invested into venture capital in recent years, significantly restricted Limited Partners' capacity to inject additional funds into the asset class.

Mirroring the challenges encountered by founders, 73% of investors noted a diminished interest among Limited Partners in investing in venture capital.

Despite this, 24% of investors surveyed indicated they had announced the final close of a fund in 2023. 26% were still in the process of fundraising as they transitioned into 2024. The upcoming two years are anticipated to be bustling for investors seeking capital, with 74% expecting to re-enter the market to secure financing for their next fund during 2024-25.

**16%** of investors said fundraising from LPs was their **top priority in 2023**



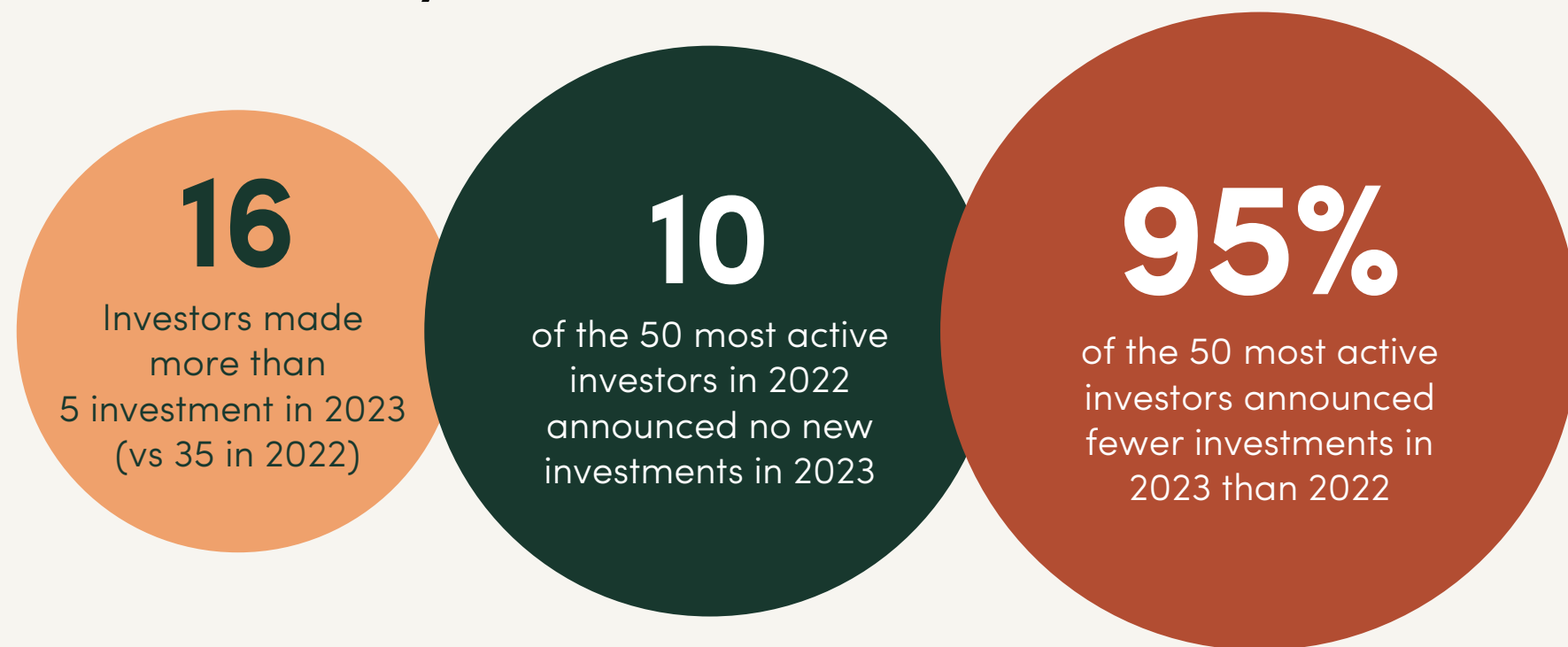
# Just 373 investors recorded in funded deal data

Almost all active investors in 2022 slowed down considerably in 2023 – and a portion reported no new deals at all.

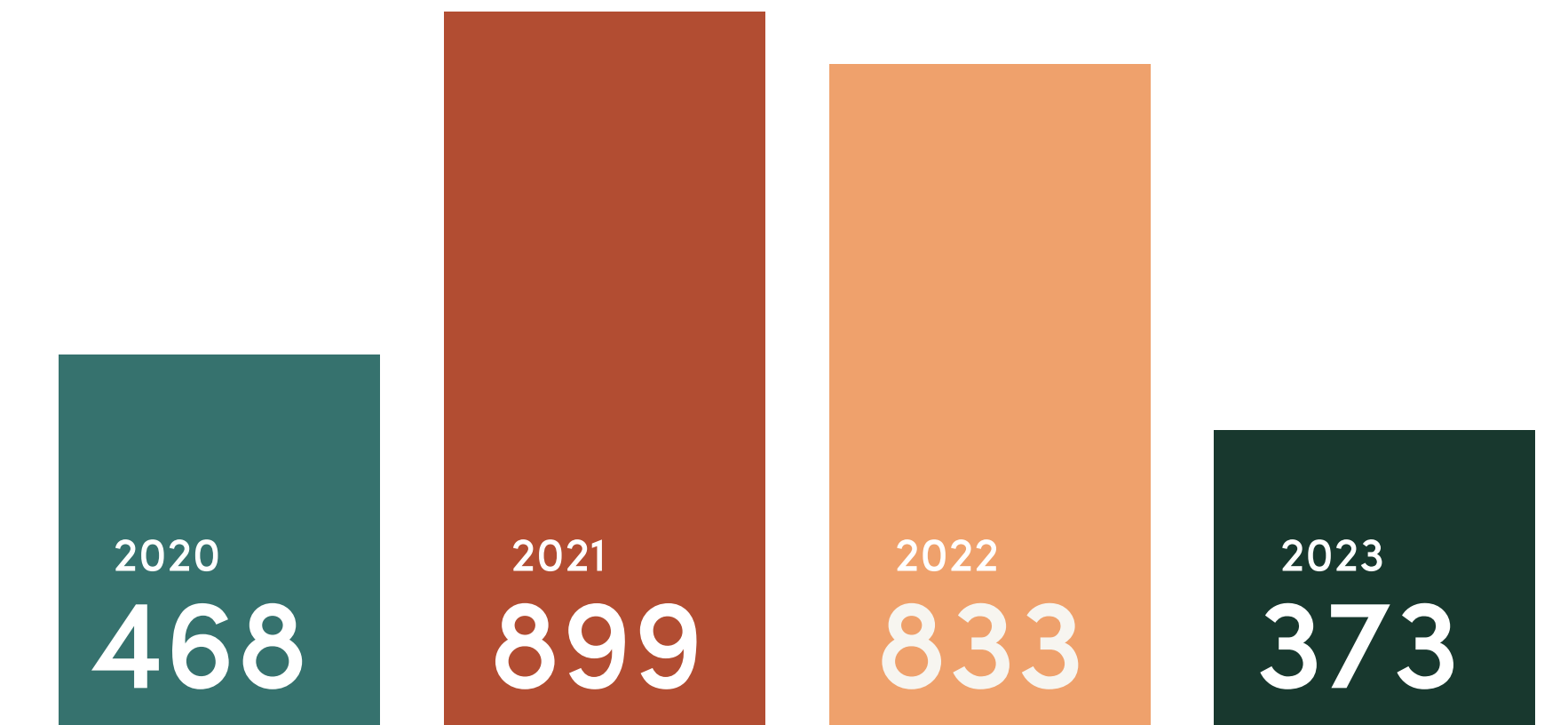
Anecdotal investor commentary suggests that professional startup investors allocated a larger portion of their time to supporting their current portfolio companies, either operationally or through small, often unannounced, bridging rounds. This observation was corroborated by the data collected through our survey, making the widespread slowdown in deal participation at the level of individual funds unsurprising.

In the first half of 2023, 31% of the most active investors did not announce any new deals. This percentage decreased as the year progressed, in tandem with an uptick in overall deal volume.

## Investor activity



## Number of investors recorded across all deals



Although the reported decline in the total number of investors across all deals is directionally correct, it's important to note limitations in this data, which may affect year-on-year comparability.

While the drop could be partly due to the decreased frequency of 'party rounds', the increase in deal syndication by angel groups and some funds has led to many investors not being listed on company cap tables. Furthermore, 2023 saw the trend towards not disclosing all participating investors in public announcements.



# International investors continue to support local ecosystem

Contrary to widespread commentary, international investors have not abandoned the Australian ecosystem. More detailed analysis of the data suggests a nuanced picture, indicating sustained international interest in Australian startups.

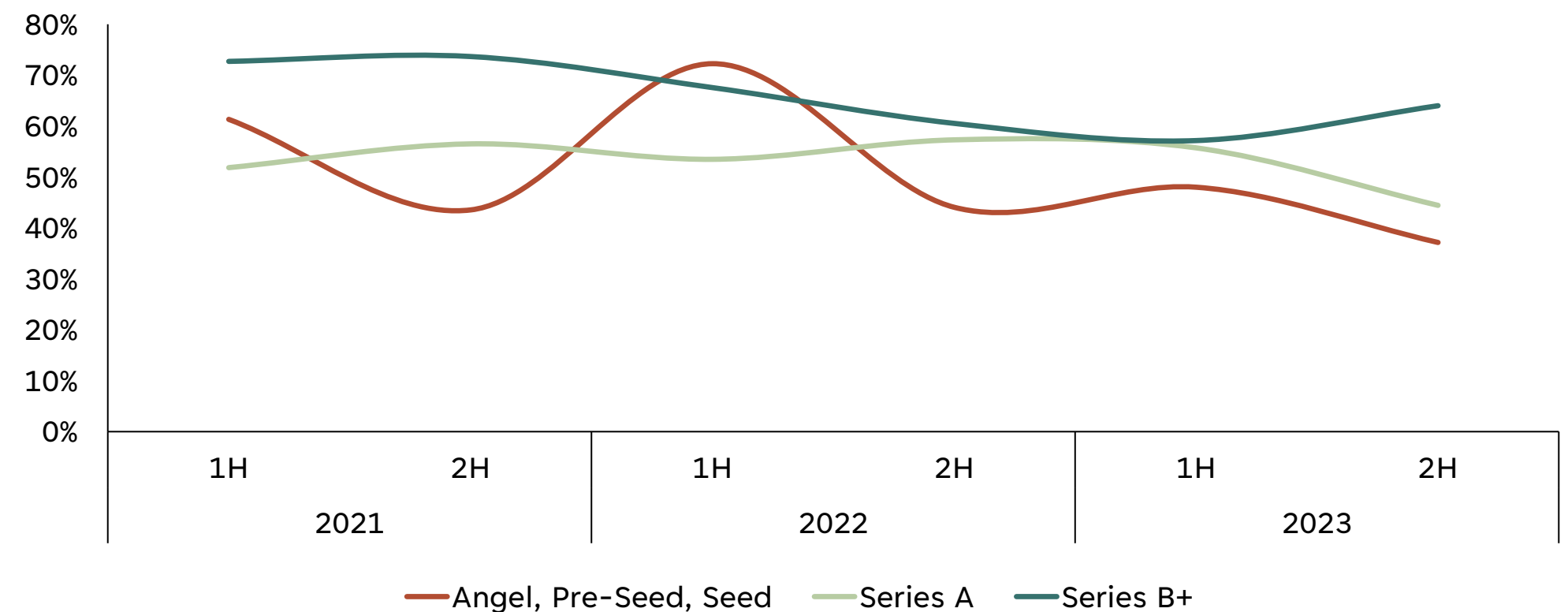
While many later-stage, non-traditional funds have scaled back their involvement, the proportion of deals featuring at least one international investor has remained robust. This retreat does not appear to be more pronounced than that of domestic investors.


Many Series B and subsequent funding rounds in 2021-2022 were spearheaded by global funds with significant funds under management. Among the international investors that have temporarily halted their local activities, these mega funds that led larger rounds are the most common.

Supporting the funding data, 35% of local investors surveyed at the end of 2023 reported that international investors were active over the course of 2023. In the Cut Through Quarterly survey conducted in Q3, only a quarter noted witnessing an international investor bypassing a follow-on investment opportunity in a jointly owned portfolio company.

Most local investors expressed a desire to see and compete with high-calibre global investors in investment rounds. Moreover, the majority are optimistic about seeing the presence of these international investors increase in the year ahead.

Percentage of deals participated in by International investors



**70%** of local investors  expect overseas startup investors to increase activity in Australia in the next 12 months (up from 42% in 2023)

**42%** of 2023 deals<sup>1</sup>  included at least one international investor in the round (down from 47% in 2022)

(1) Excludes Accelerator deals



**Alex Kewley**  
Executive Director  
MARS Growth



Australia is a core focus for MARS Equity as we seek out the best global SaaS and tech-enabled companies.

We are pure conviction-driven growth stage Equity investor, and the strong founder DNA and collaborative nature of the local players across ANZ provides a great ecosystem for founders to build and investors to fund great companies - especially as the market picks up again in 2024 and beyond."



Australia has produced multiple global winners in our core investment themes like software, fintech and consumer goods.

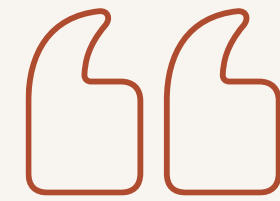
From Atlassian and Canva to Afterpay and Aesop, we have been inspired by the customer-centric design and innovation coming out of Australia. We're looking to partner with founders who are looking to build the next generation of "Australia to the World" companies.

Given our footprint spanning some of the world's largest and most exciting markets like India, Southeast Asia, Middle East and North America – we can really partner with the local ecosystem, entrepreneurs and investors, in their journey to globalisation.



**Rohit Agarwal**

Managing Director  
Peak XV  
India



Insight Partners made our first investment in Australia in 2004, and since then, we've been fortunate to partner with 14 innovative startups in the Australian ecosystem on their ScaleUp journeys.

We continue to be impressed by the calibre of the entrepreneurs, the global mindset, and the high quality of software companies that we are privileged to work alongside.

We are eager to be a collaborative partner and resource to founders and early investors as the vibrant Australian tech ecosystem continues to grow.



**Rachel Geller**

Managing Director  
Insight Partners  
United States



At Octopus Ventures, we are impressed with how Australia's startup ecosystem has flourished over the past decade.

The investments we have made reflect the region's tenacious, resilient founders – alongside the ability to benefit from both a global perspective and high local receptiveness to new technology.

We are looking forward to continuing to provide promising Australian businesses with a conduit to the UK market, helping them take advantage of the strong cultural, legal and business links between both countries.



**Adam Said**

Investment Manager  
Octopus Ventures  
United Kingdom

PARTNER INSIGHT

# Current pulse of Australian deal terms

CORRS  
CHAMBERS  
WESTGARTH

FOUNDER SURVEY INSIGHT

Does your startup currently issue any of the following types of securities?

Ordinary Shares	73%
SAFE Notes	44%
Preference Shares	43%
Options	41%
Convertible Notes	30%
Debt Securities	7%
Warrants	2%

As previously noted in Cut Through Ventures' quarterly reports, lower deal activity levels in the Australian venture capital market in 2023 impacted not only the pricing of funding rounds but also funding structures and deal terms.

The anecdotal evidence we've seen acting on venture capital deals in 2023, as legal advisers to both emerging startups and domestic and international venture capital funds, is borne out in the findings from The State of Australian Startup Funding 2023 startup fundraising survey (2023 Survey).

Three key themes stood out:

- the increasing use of SAFEs;
- more investor-friendly deal terms; and
- an uplift in foreign investment into Australian startups.

**SAFEs have become more popular but can lead to cap table headaches**

The 2023 Survey found that 44% of startups currently have SAFEs on issue. This is a

meaningful increase from a couple of years ago when it was unusual to see SAFEs on the cap table of Australian startups (a startup funding survey conducted by Corrs in 2018 found that only 8% of Australian startups had SAFEs on issue).

There are many factors driving the use of SAFEs, including that they allow a company to raise capital in a challenging market without setting a valuation, they are generally easier to negotiate and quicker to execute than a priced round, and they can provide flexibility for both the investor and startup. However, like convertible notes, issuing too many SAFEs can cause later headaches for startups who haven't understood their impact on the cap table under different fundraising or exit scenarios.

One of the major downsides of SAFEs is that the number of shares they convert into is uncertain because their conversion price is typically linked to the price at which shares are issued in a future funding round. While SAFEs are typically based on a standardised template, the key economics of a SAFE are usually subject to negotiation, so founders need to understand the impact of conversion discounts, valuation caps and pre/post-money structures.

We've seen this play out on exit transactions where the terms of convertible instruments (SAFEs or convertible notes) have given noteholders an outsized portion of the sale proceeds, leaving founders and ordinary shareholders to walk away with only a tiny slice of the proceeds.

SAFEs and convertible notes are often issued quickly and without detailed legal advice, which can also lead to other complications during an exit process. For example, we have seen startups issue SAFEs or convertible notes without following the requirements of the company's shareholders agreement, including by failing to obtain required shareholder approvals or follow mandatory pre-emptive rights processes. We've also seen startups fail to ask noteholders to accede to the shareholders agreement upon conversion of their notes. In each case, these issues were identified as part of an acquirer's due diligence and led to costly rectification processes which could have easily been avoided.

*(continued next page)*

The above does not constitute advice and should not be relied upon as such. You should always obtain professional advice based on your specific circumstances before taking any action relating to matters covered by this publication. Some information may have been obtained from external sources, and we cannot guarantee the accuracy or currency of any such information.

PARTNER INSIGHT

# Current pulse of Australian deal terms (continued)

**CORRS  
CHAMBERS  
WESTGARTH**

FOUNDER SURVEY INSIGHT

What factors might lead you to seek funding from an international venture capital firm over a local one?



Top 5 responses shown. Percentage of respondents who the listed as a reason.

Deal momentum shifts to investors

During 2023 we observed investors become increasingly demanding about deal terms to de-risk their investments, reflecting the competitive dynamics of negotiations with founders.

This observation is reflected in the results of the 2023 CTV Survey, which showed that a number of startups had issued preference shares with investor-friendly rights, specifically:

with a right to a participating liquidation preference, where the investor is entitled to a liquidation preference and also to participate with ordinary shareholders on a pro-rata basis in a liquidation event;

with a right to a multiple liquidation preference, where the investor is entitled to receive a multiple of its initial investment before ordinary shareholders receive a return; and

which included a full ratchet anti-dilution protection, where the share price of the investor is adjusted to reflect the issue price of any subsequent down round.

As with SAFEs and convertible notes, investor-friendly preference share terms can cause

significant value erosion for founders who haven't understood their dilutionary impact under various fundraising or exit scenarios. These matters are often negotiated at the term sheet stage, so it's important for founders who are unsure how these terms operate to get advice upfront.

Uplift in foreign investor interest in Australian startups

The 2023 Survey found that 27% of Australian startups had raised funds from an international venture capital firm, with the majority of this funding coming from the United States. A weaker Australian dollar during most of 2023 provided further tailwinds for US parties investing in Australian startups.

The participants in the 2023 Survey noted a number of reasons for securing foreign investment, which were (in order of importance): access to global business opportunities; favourable valuation and deal terms; limited local funding options; greater risk appetite from overseas investors; industry specialisation and expertise; and strategic networking and mentorship.

These benefits were offset by some perceived disadvantages with securing foreign investment, which were (in order of importance): an insistence on US-style documentation; extended legal and financial negotiations; preference for USD valuations and payments; complex regulatory compliance; and more rigorous due diligence requirements.

We have continued to see strong interest from US parties in Australian venture capital raisings and technology M&A transactions in late 2023 and early 2024, so we'd expect international investors to continue to play a significant role in the Australian market this year.



**Jonathan Farrer**  
Partner  
Corrs Chambers Westgarth



**Nick Cuthbertson**  
Senior Associate  
Corrs Chambers Westgarth

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INVESTOR INSIGHTS

# Corporate Venture Capital



We saw a sustained appetite for funding, with deal volume not significantly down on prior years.

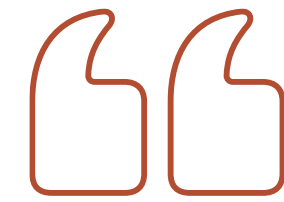
The year was characterised by an ever-strengthening relationship between startups and our corporate – we witnessed the largest number of commercial agreements completed between portfolio companies and the corporate; supported new companies launch into ANZ, as we expanded our global focus by investing into new regions; and saw companies' re-open rounds to deliberately have a CVC on their cap table.

The less frantic pace of 2023 resulted in more time for due diligence and stronger conviction for corporate venture capital funds in market.



**Rebecca Schot-Guppy**

Partner  
Firemark Ventures



The Australian startup ecosystem continues to gain momentum. Despite the macroeconomic headwinds in 2023, Aussie startups continue to grow more sustainably than their US peers.

Having experienced the early-to-growth transition in the US market, I am now starting to see similar patterns emerging here in the Australian market.

This transition remains a moment of heightened risk but an incredible opportunity in the venture capital cycle.



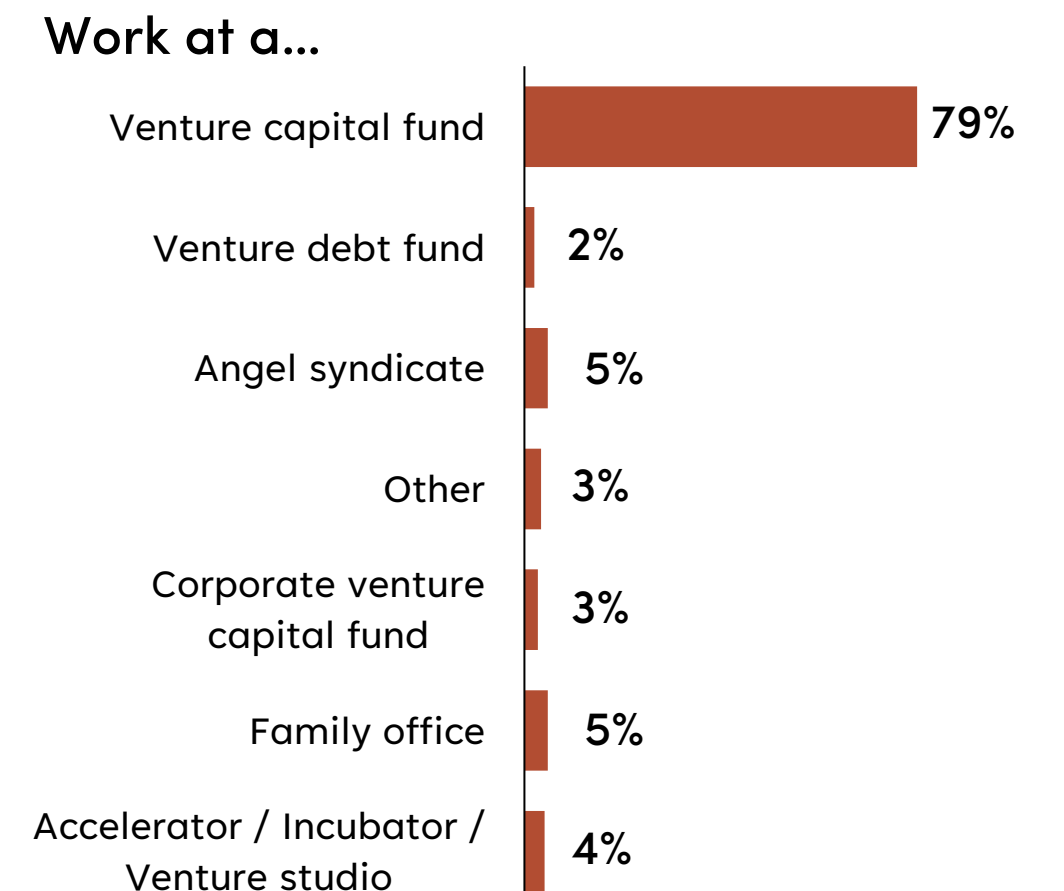
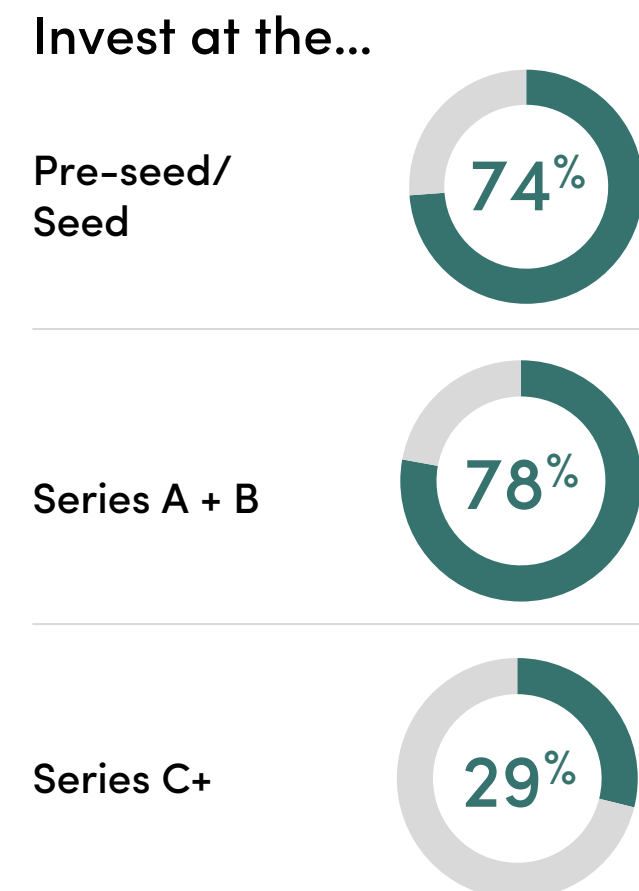
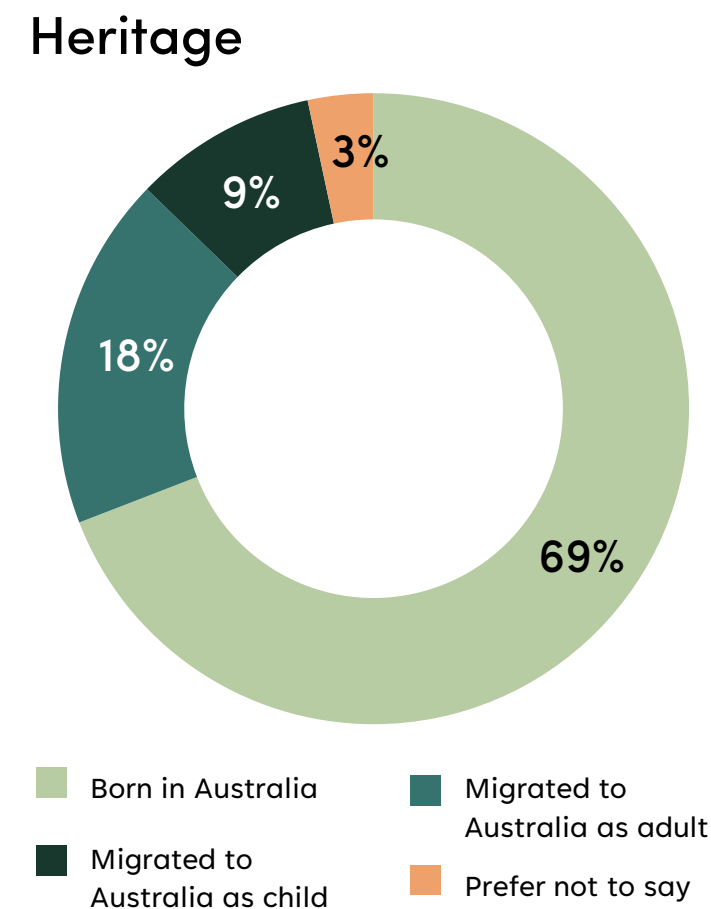
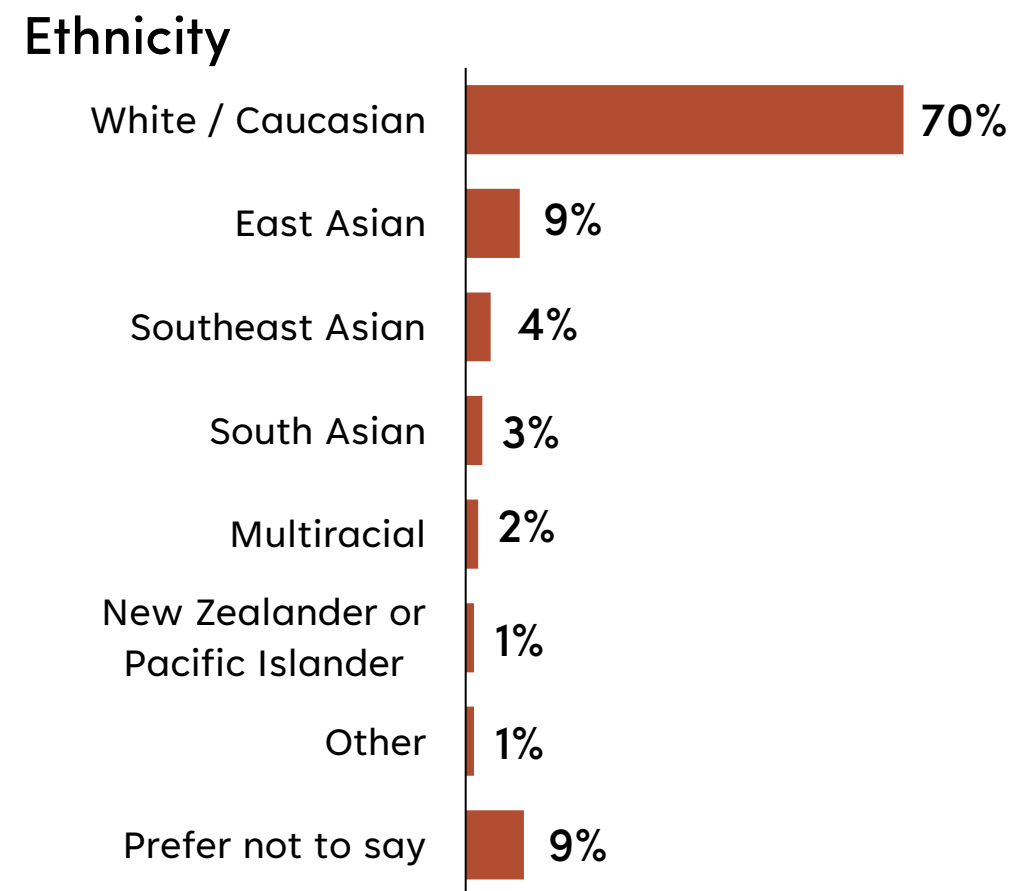
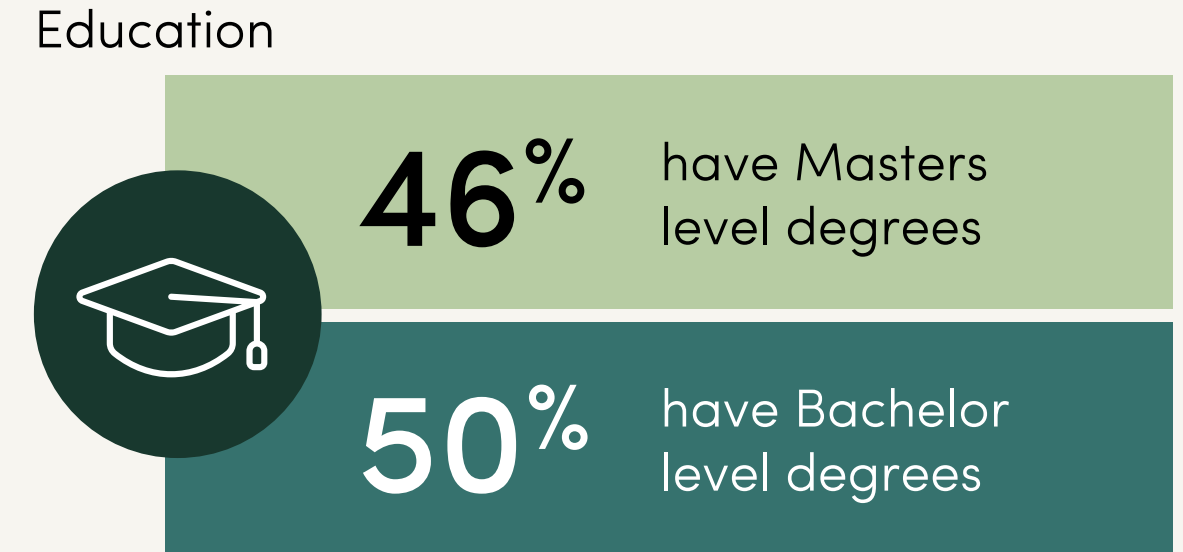
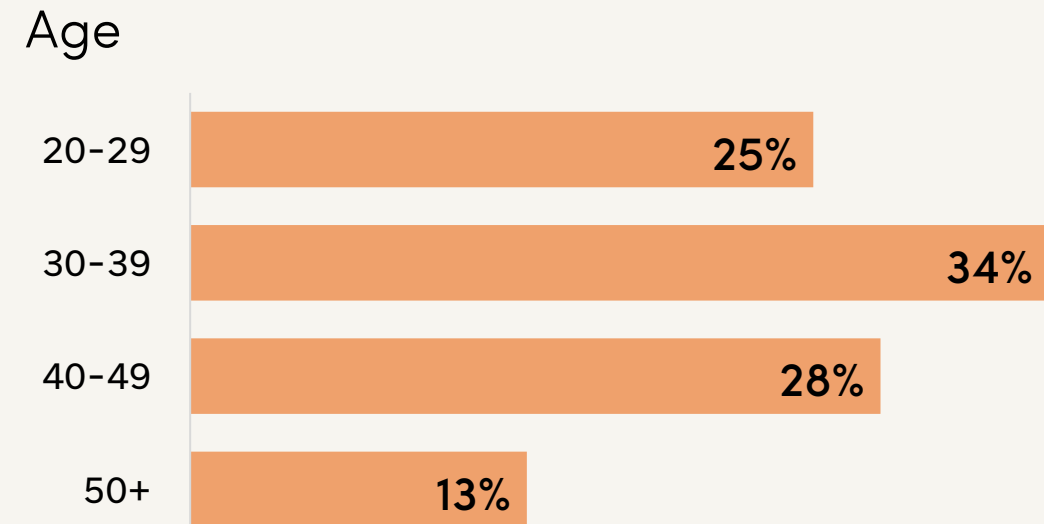
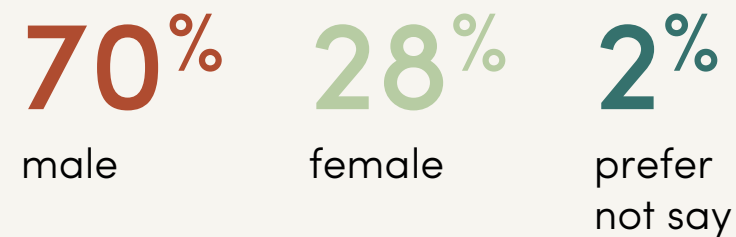
**Hayden Dyer**

Principal  
NAB Ventures

INVESTOR SURVEY

# Investors we heard from

We surveyed 304 Australian professional startup investors in December 2023. With approximately 50% responding, we consider this dataset to be a fair sample of investors within the local ecosystem.



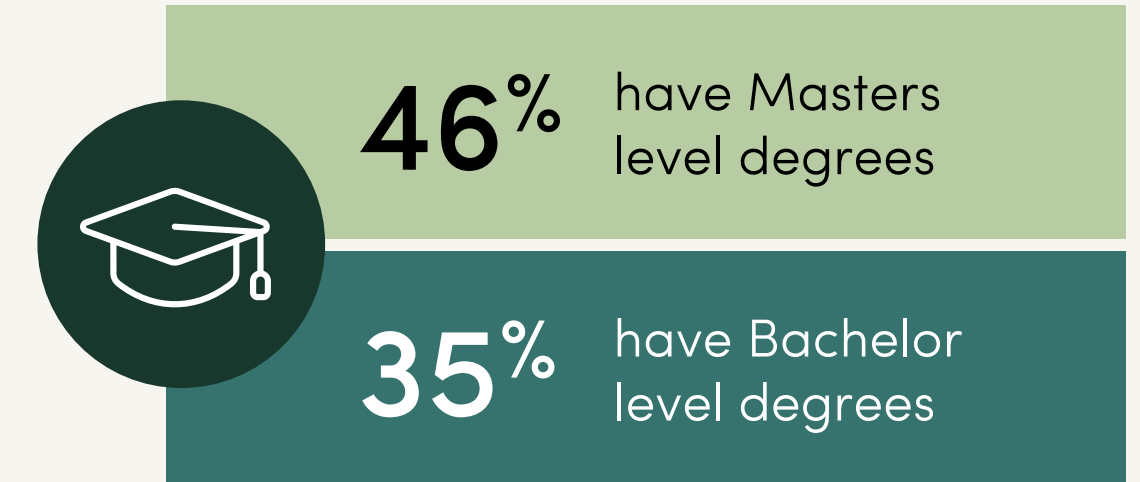
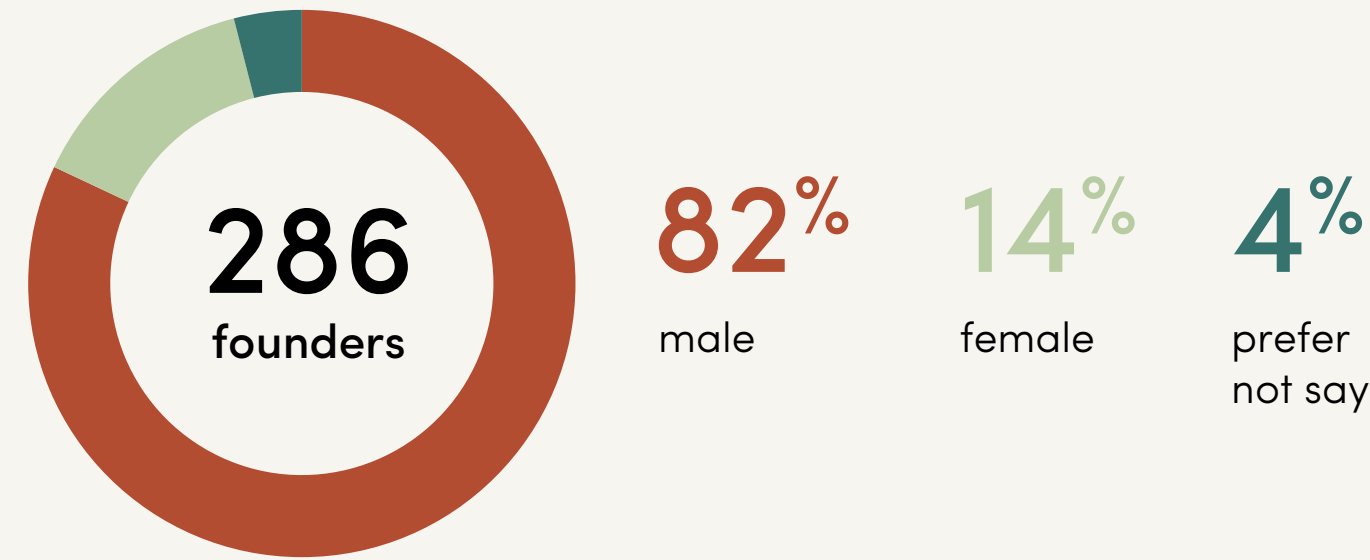
## FOUNDER SURVEY INSIGHTS

# Founders we heard from

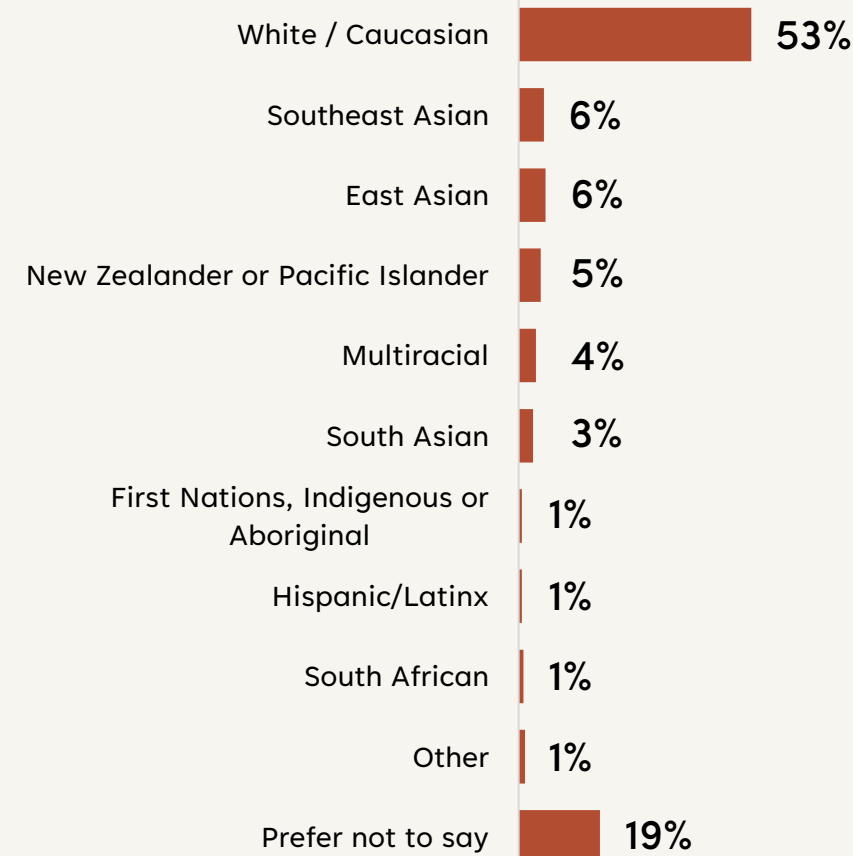
Through its network of diverse ecosystem participants, we endeavoured to survey as wide a range of startup founders as possible.

286 founders completed the survey. We recognise that this sample may not accurately represent the entire founder ecosystem. It is essential to interpret the insights provided by the survey within the context of the survey participants' breakdown.

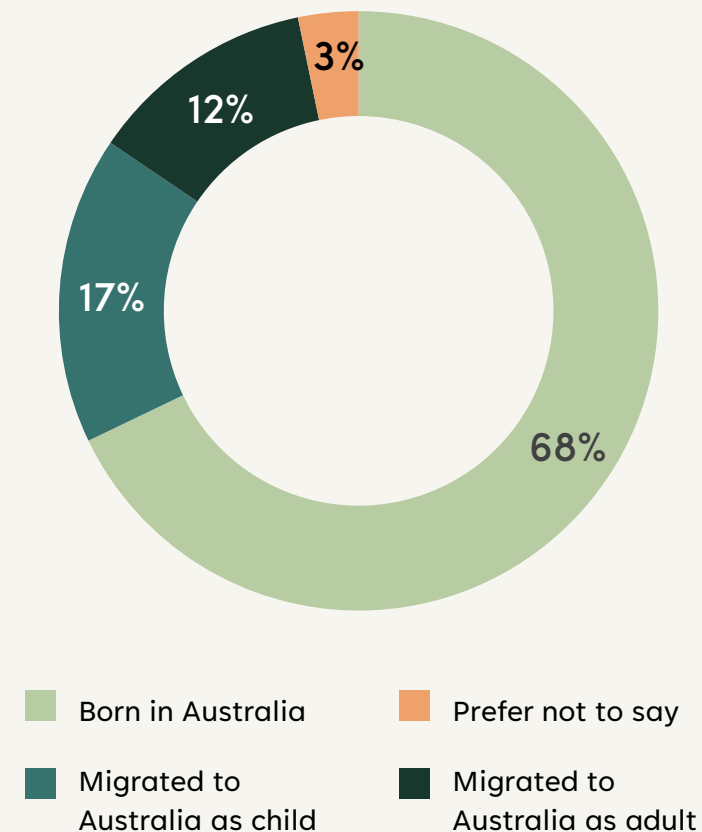
Aligning with Cut Through Venture's mission to deliver insights valuable to all ecosystem participants, we are committed to continually refining our data collection methods. This commitment aims to expand our reach and enhance the representativeness of our data for all future publications.



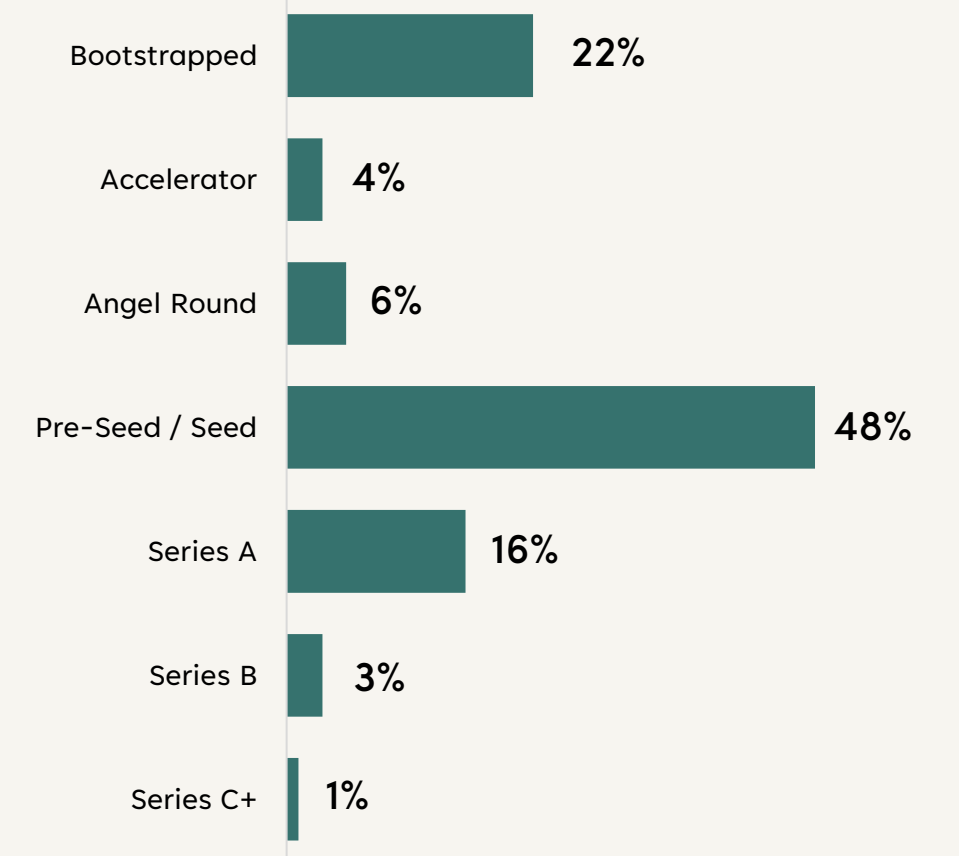
### Ethnicity



### Heritage



### Latest Funding Round



INVESTOR SURVEY INSIGHTS

# Investors maintain a lower gear

As in 2022, investors reported a shift towards a more measured pace and a return to traditional due diligence practices in the market. Encouragingly, much of the negative investor behaviour noted in 2022 has subsided.

The surge of speed that characterised global and local funding markets in 2021, which then decreased in 2022, did not make a comeback.

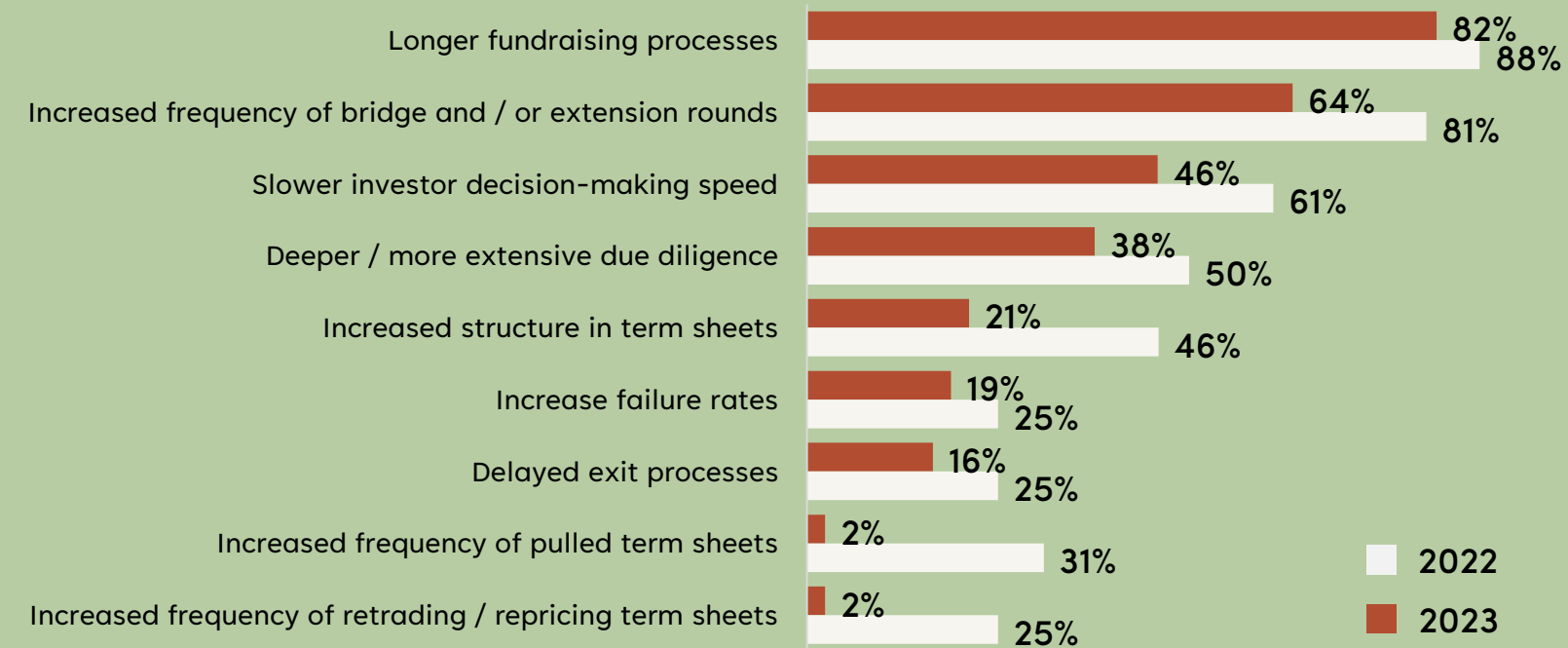
Investors noted a return to more thorough due diligence processes, resulting in lengthier fundraising processes. While the provision of 'fast money' undoubtedly offers short-term benefits to founders in need of capital, we strongly advocate for a process that allows both parties to conduct detailed due diligence on each other. This approach tends to result in better outcomes, characterised by fewer surprises, improved alignment, and a solid foundation of trust essential for initiating a long-term relationship.

The focus on quality meant that competition for the best opportunities rose.

Investors reported a decline in the practice of withdrawing or renegotiating term sheets, as well as a decline in increased structuring within deal terms.

The number of investors who claimed to have completed more deals in 2023 than in 2022 did not correlate with the funding data collected. This discrepancy is partly explained by 52% of investors reporting that at least 20% of deals completed were unannounced bridge rounds.

### What changes in fundraising dynamics have you observed as a result of the change in market environment in 2023?



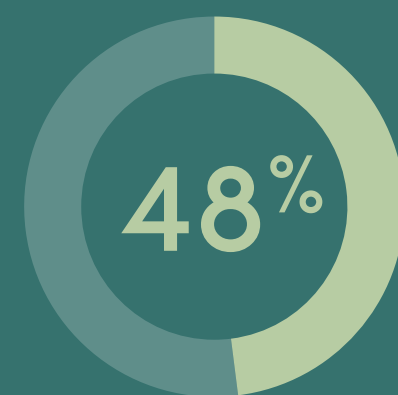
↓ 29%

percentage point drop in report of frequency of pulled term sheets vs 2022

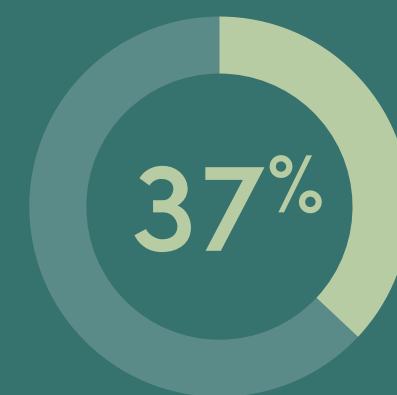
↓ 23%

percentage point drop in report of frequency retrading or repricing of term sheets vs 2022

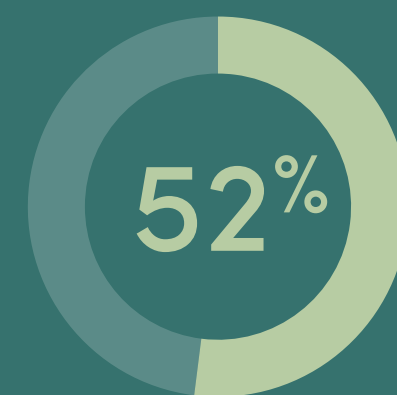
### How investors changed their behaviour in 2023



reported making fewer investments in 2023 than expected



Claim they completed more deals in 2023 than in 2022



Reported that at least 20% of their 2023 investments were unannounced bridging rounds





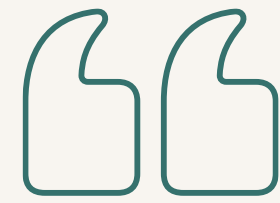
While we know 2023 was a slower year for VC's deploying capital, some of today's largest global companies were formed during slower economic conditions so we are excited to see what investment entry positions present in the coming year.

On the VC raising front, while capital raising has been difficult, we have seen some variance to that where there has been a geographical or thematic focus so expect to see new funds raised through the coming year.



**Derek Gerrard**

Co-Founder & General Partner  
Purpose Ventures



The first half of the year saw one of the toughest funding markets for companies to face in a generation. We watched founders take longer to raise and raise smaller rounds.

Rounds took longer, and some early-stage investors didn't deploy at all to pre-seed, where we play. We have seen the conditions easing the back half of the year, and I am cautiously optimistic for the year ahead.

I have been so impressed by the tenacity of and sheer grit of founders.



**Maxine Minter**

Founding General Partner  
Coventures



Smaller funds play an important role in the Australian VC market, yet 2023 has been a tough time for many smaller funds to raise, largely due to the lack of liquidity.

New analysis by Pattern Ventures that looked at the performance of +2,500 VC funds since 1980 was compelling reading for smaller fund managers. The TL;DR: funds under \$50m outperform those exceeding \$500m by 42%, with a 12x higher likelihood of achieving a 5x return.

Let's hope the IPO window opens in 2024 and we see a rush of capital back to the smaller Australian fund managers.



**Todd Deacon**

General Partner  
AO Ventures | Wildcard Ventures

## INVESTOR SURVEY INSIGHTS

# Investor advice: Proceed with caution

The funding doorway remained closed for many startups, prompting a continued search for alternative routes towards achieving self-sustaining business models.

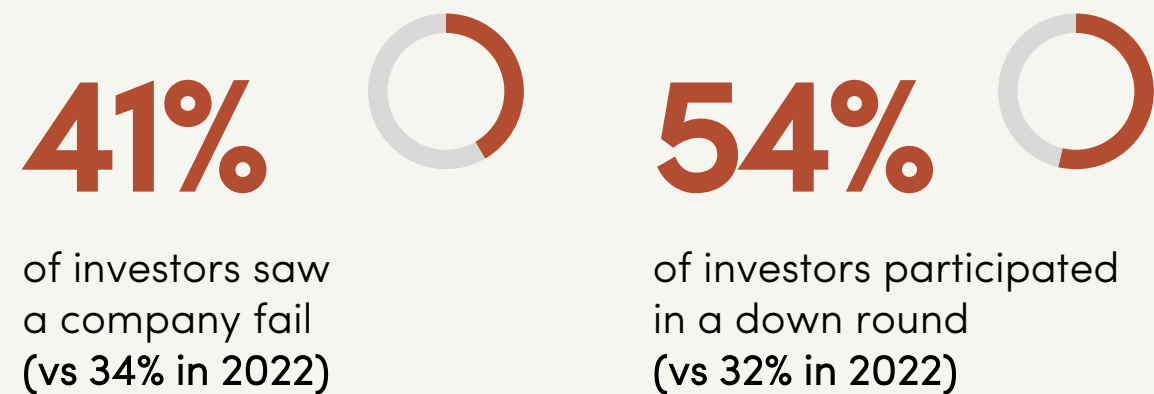
The shift in funding conditions that emerged in 2022 necessitated a strategic pivot, a trend that persisted into 2023. The previously held assumption that "the next funding round" would always be available when needed was dispelled, with austerity becoming the overwhelmingly dominant dynamic within the startup ecosystem.

Investors reported adopting a somewhat more bullish stance in the advice provided to startups, with a slight decrease in the percentage of investors recommending that startups reduce their burn rate to extend their runway. This shift was accompanied by a higher proportion of investors participating in down-rounds, potentially signalling that the feasibility of cutting costs to avoid raising funds may be reaching its limits.

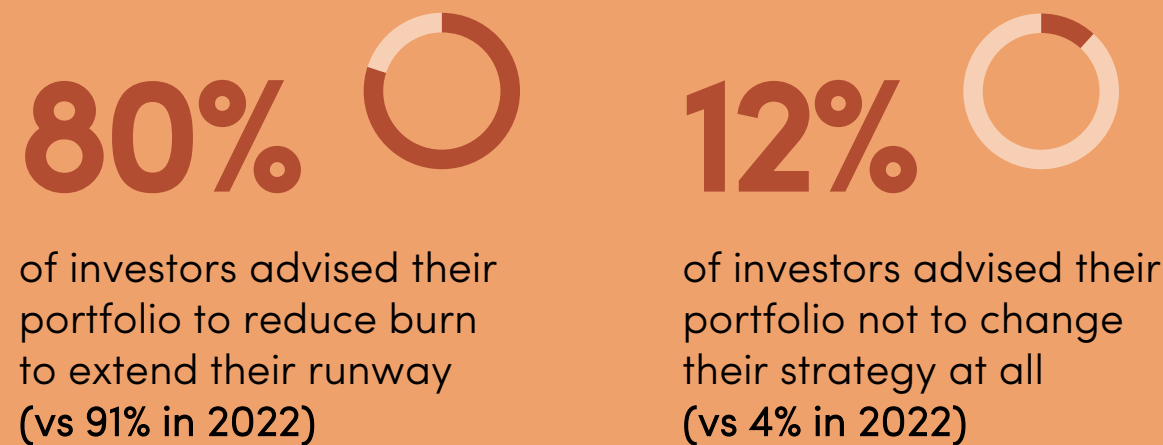
Australia was not exempt from the intensified global reports of startups facing layoffs. 90% of surveyed investors noted layoffs within their portfolios, and 41% reported at least one portfolio company being forced to cease operations.

In an encouraging development, 81% of investors reported that their portfolio companies are now in either Good or Excellent condition, although specific details regarding the health of individual companies were not solicited.

### Mixed operating and funding outcomes



### Advice to founders in 2023



## 2023 was a year of paradoxes:

- 01 we saw less active investors and deals took longer to get done yet the "hot" deals didn't struggle for investor interest;
- 02 we had more exits, both good (real DPI) and bad (company shutdowns);
- 03 we saw more bad behaviour (from investors and founders) while the best founders continued to handle all the curveballs the market (and investors) tossed at them.



**Ben Armstrong**

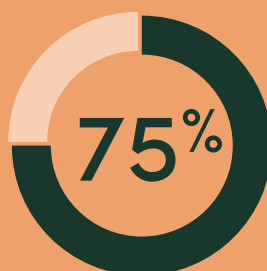
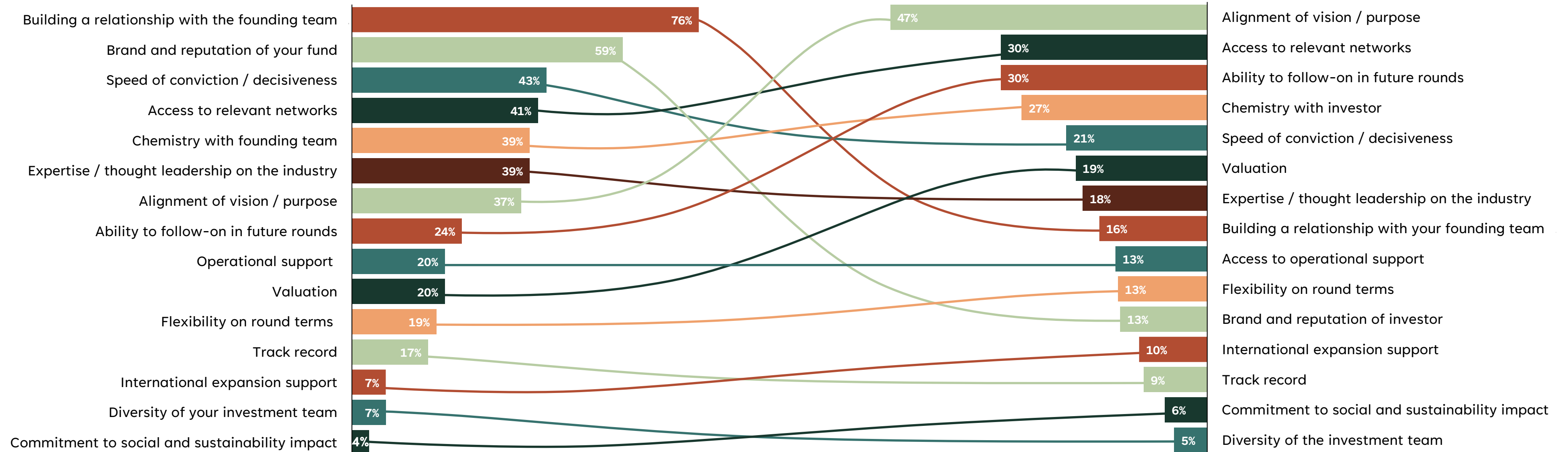
Managing Partner  
Archangel Ventures

# Divergent Investor/Founder view on investor value

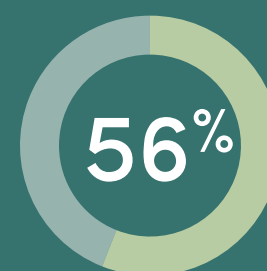
## FOUNDER & INVESTOR INSIGHT:

**INVESTORS** What in your opinion have been the most decisive factors to winning in a competitive deal situation?

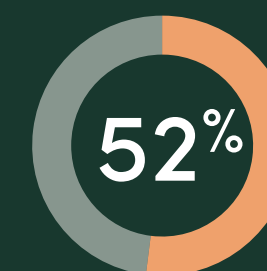
**FOUNDERS** Which of the following do you see as most important when choosing an investor?



75% of founders don't believe there are many **funding** options available to Australian start-ups (vs 59% in 2022)



56% of founders feel **supported** by the wider entrepreneurial community and start-up ecosystem in Australia (vs 42% in 2022)



52% of founders don't believe investors have lived up to the **promises** of 'non-capital' value-add they said they would provide (vs 62% in 2022)

## INVESTOR SURVEY INSIGHTS

# Flashback to 2022

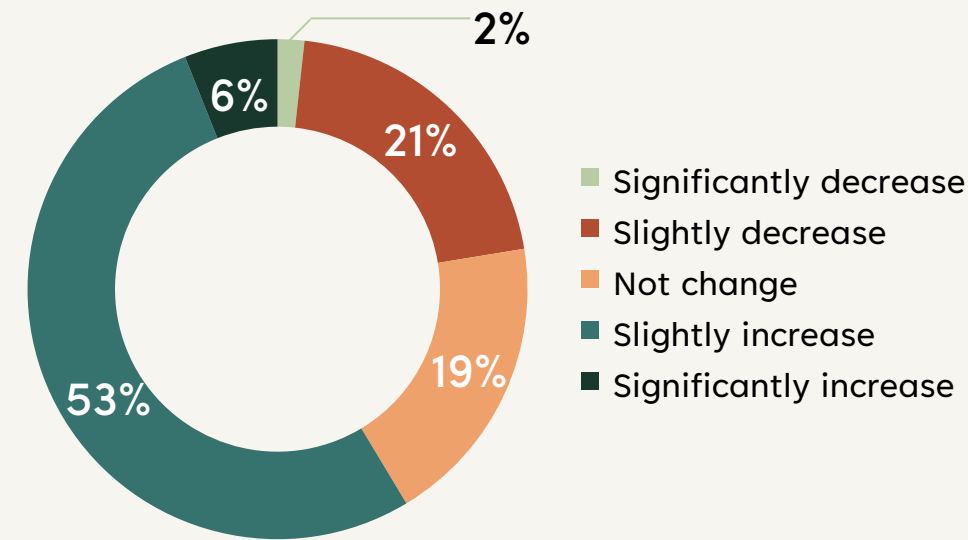
In general, investors forecasts for market conditions in 2023 were off the mark – thinking the worst of conditions were behind them.

According to our survey conducted at the end of 2022, the sentiment amongst investors was predominantly optimistic about the upcoming year. Only 23% anticipated a downturn in investment activity for 2023 relative to 2022, and a notable 59% expected an increase in their own investment activities.

However, investors demonstrated more accuracy in predicting sectoral trends. The sectors they identified as most interesting at the end of 2023 corresponded closely with those that topped the funding and deal count rankings over the year.

### Investor predictions for 2023

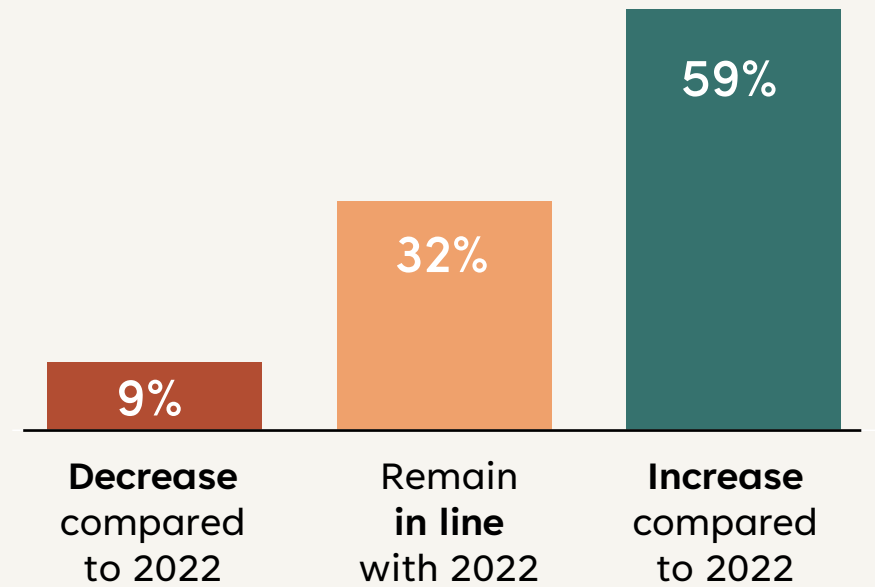
In 2023, do you expect to see startup investment activities in Australia?



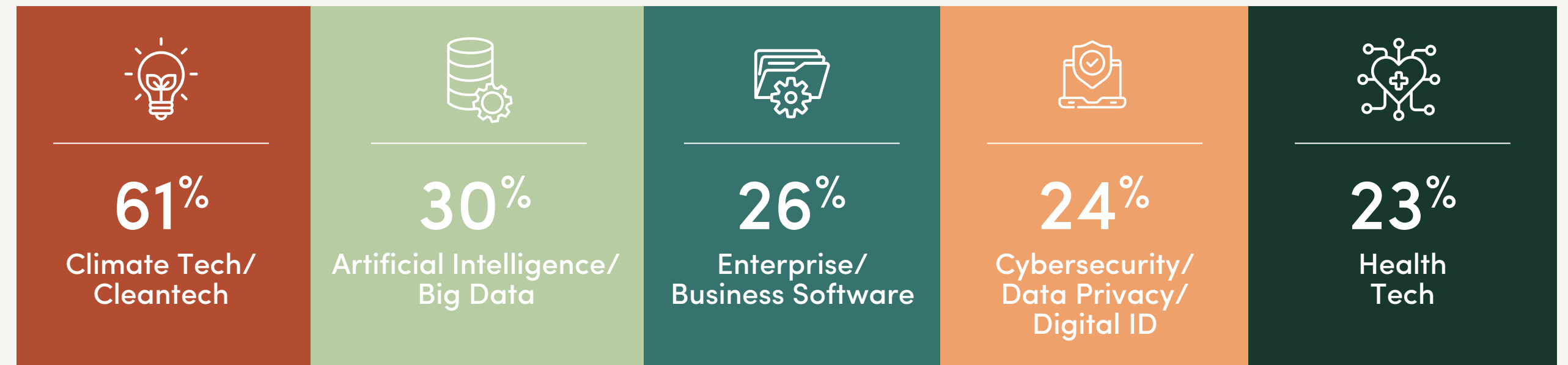
42%

Expect international activity to increase in 2023

In 2023, do you expect the cadence of new investments to:



### Sectors investors said they were most excited about in 2023

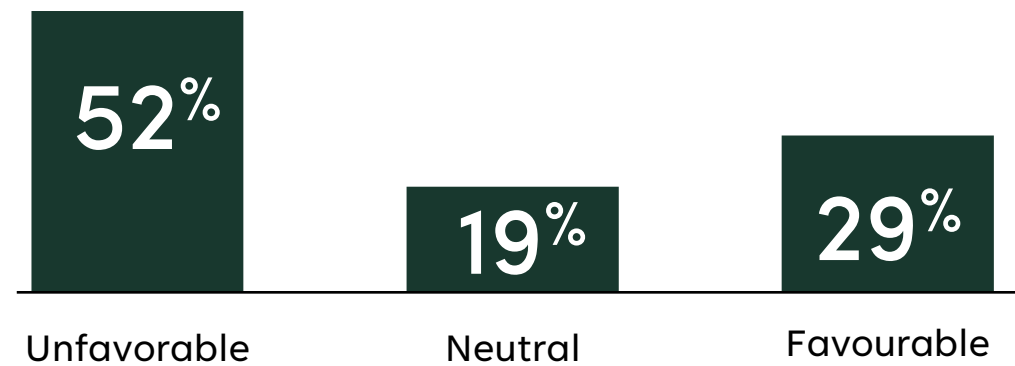


# INVESTOR SURVEY INSIGHTS

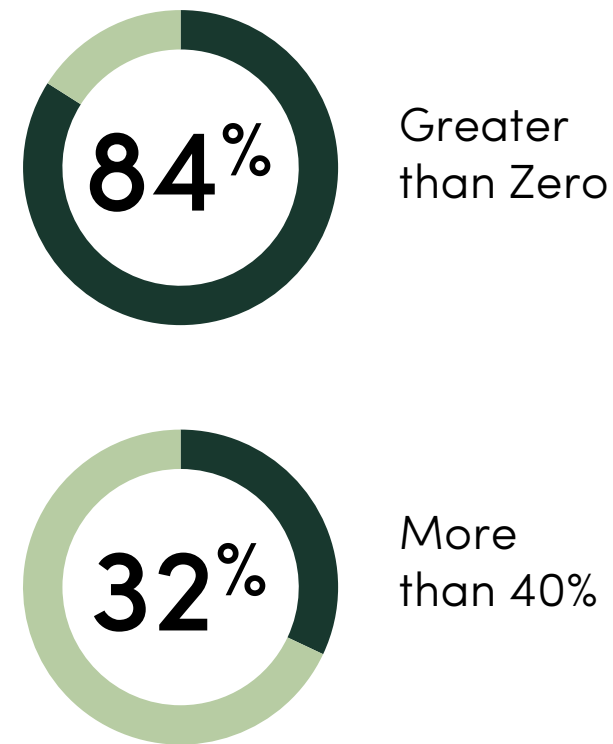
## 2023 deal activity

Despite deal quality and volume at the top of the funnel appearing to remain stable, the majority of investors reported less favourable overall funding conditions and a slower deal completion rate than anticipated in late 2022.

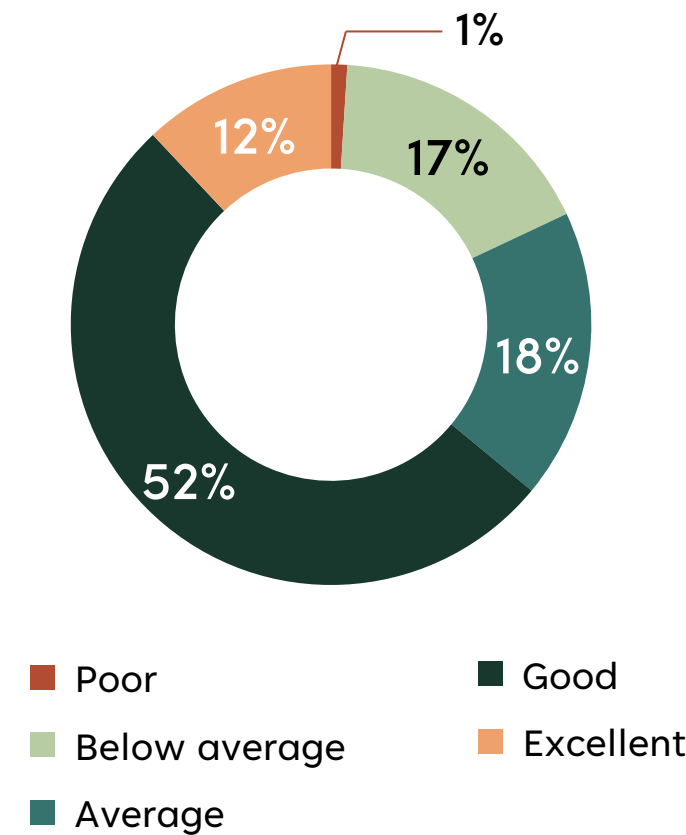
Compared to this time last year how would you describe the current state of the startup funding market?



What percentage of your investments were internal or bridging rounds?



How would you rate the quality of deal flow you saw in 2023 vs prior years?



**54%** Participated in a down round

**32%** Reviewed more deals than in 2022

**7%** Reviewed far more deals than in 2022

**11%** made more investments than they expected they would at the beginning of the year

**Q.** What changes in fundraising dynamics have you observed as a result of the change in market environment in 2023? (top five listed)

**01** Longer fundraising processes (80% of respondents)

**02** Increased frequency of bridge rounds (64% of respondents)

**03** Slower investor decision-making speed (46% of respondents)

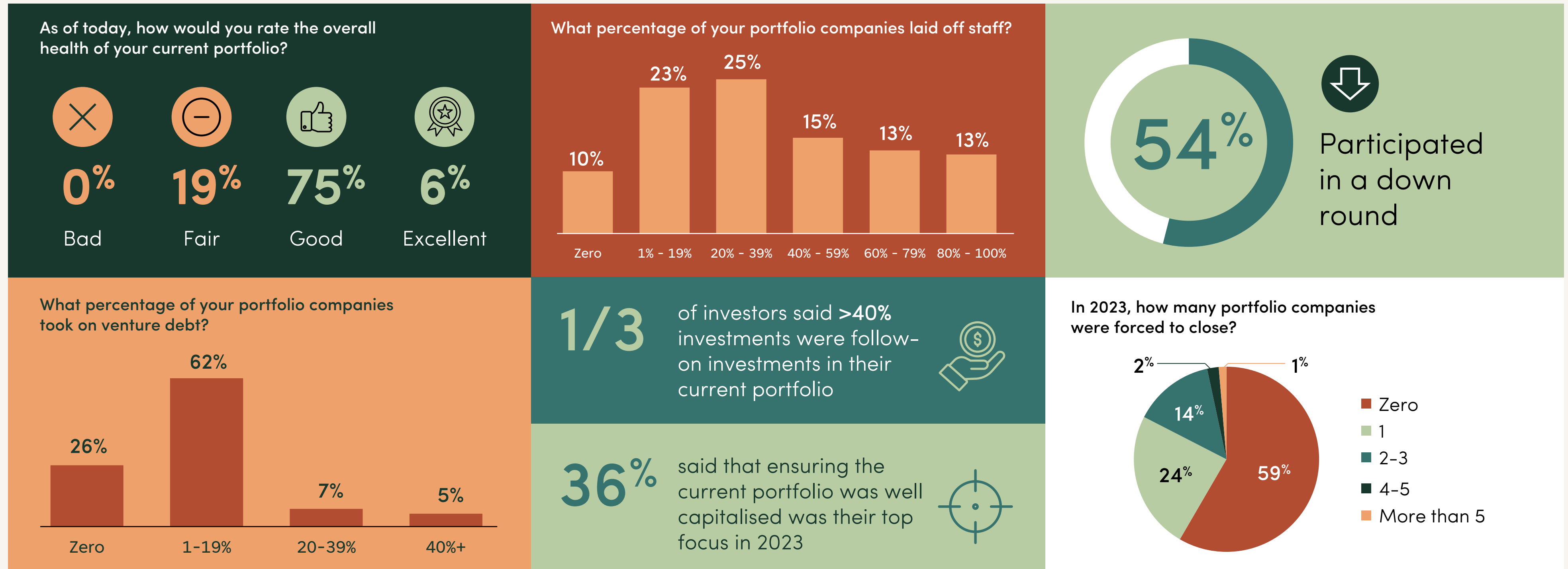
**04** More extensive due diligence (38% of respondents)

**05** Increased structure in term sheets (21% of respondents)

INVESTOR SURVEY INSIGHTS

# 2023 portfolio health

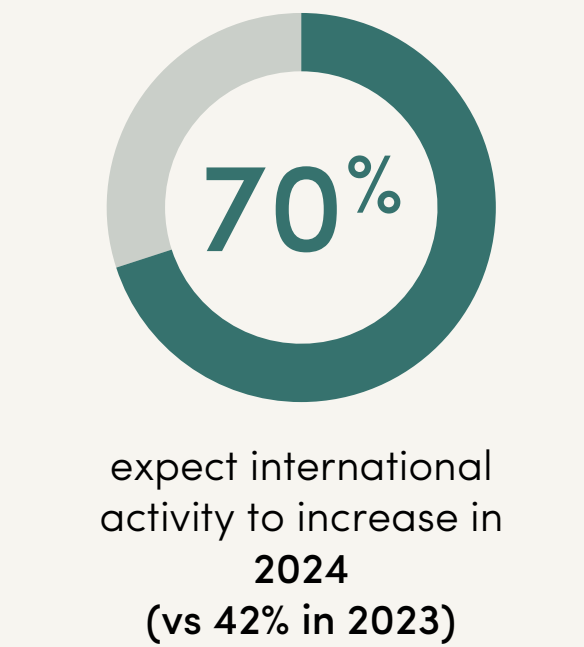
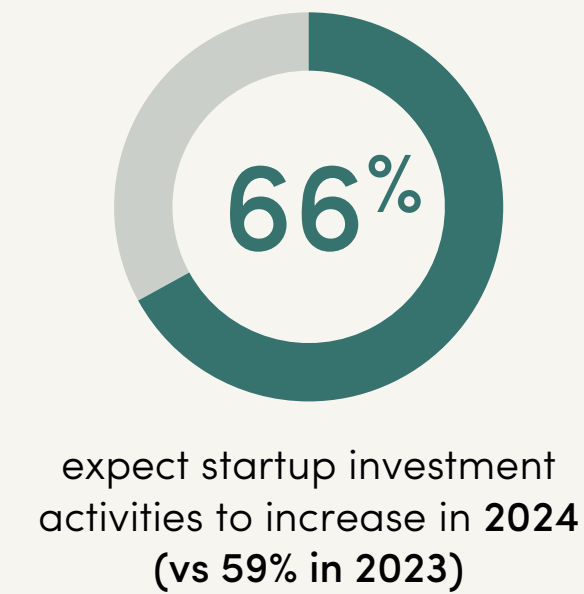
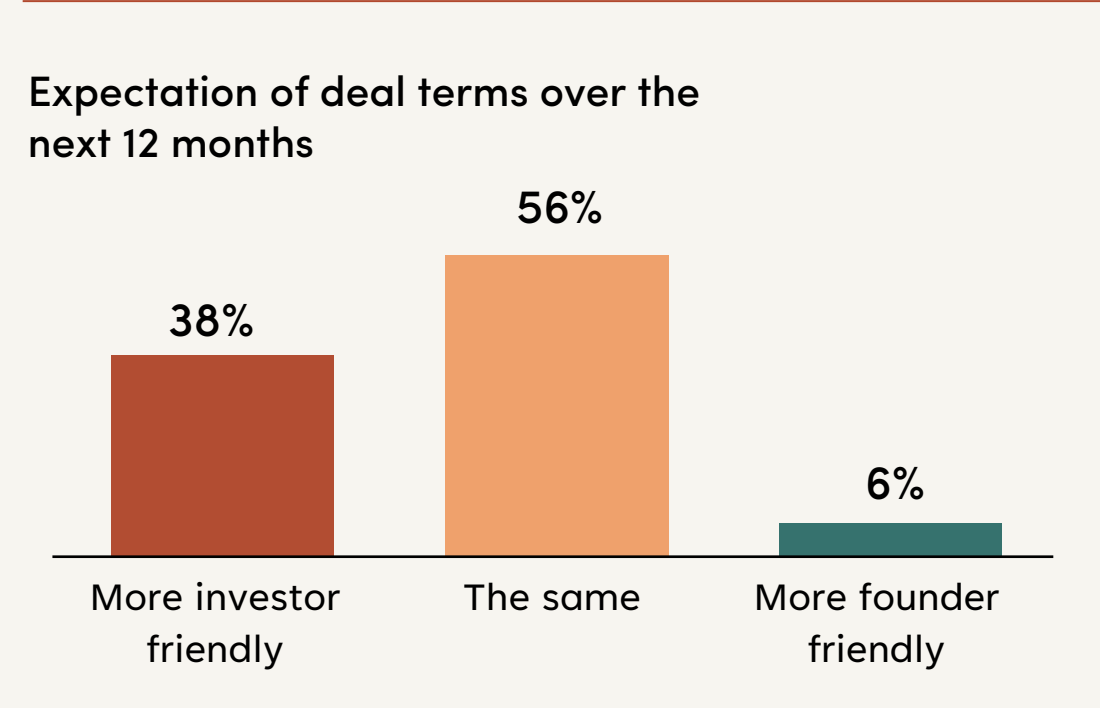
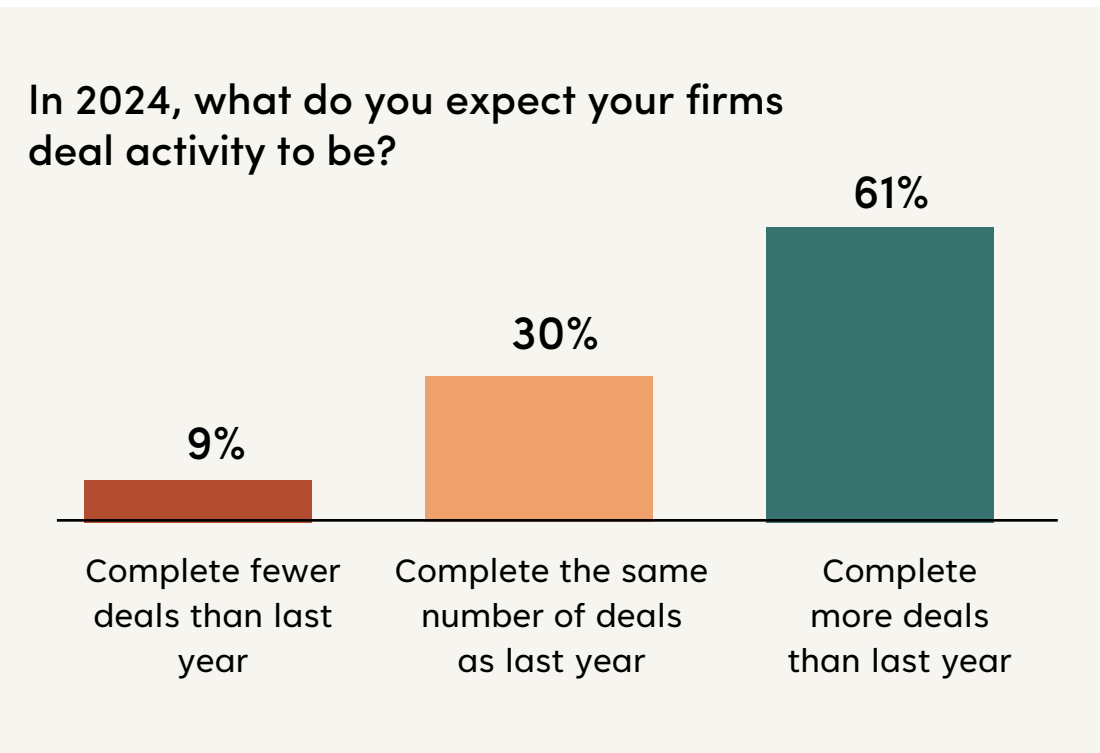
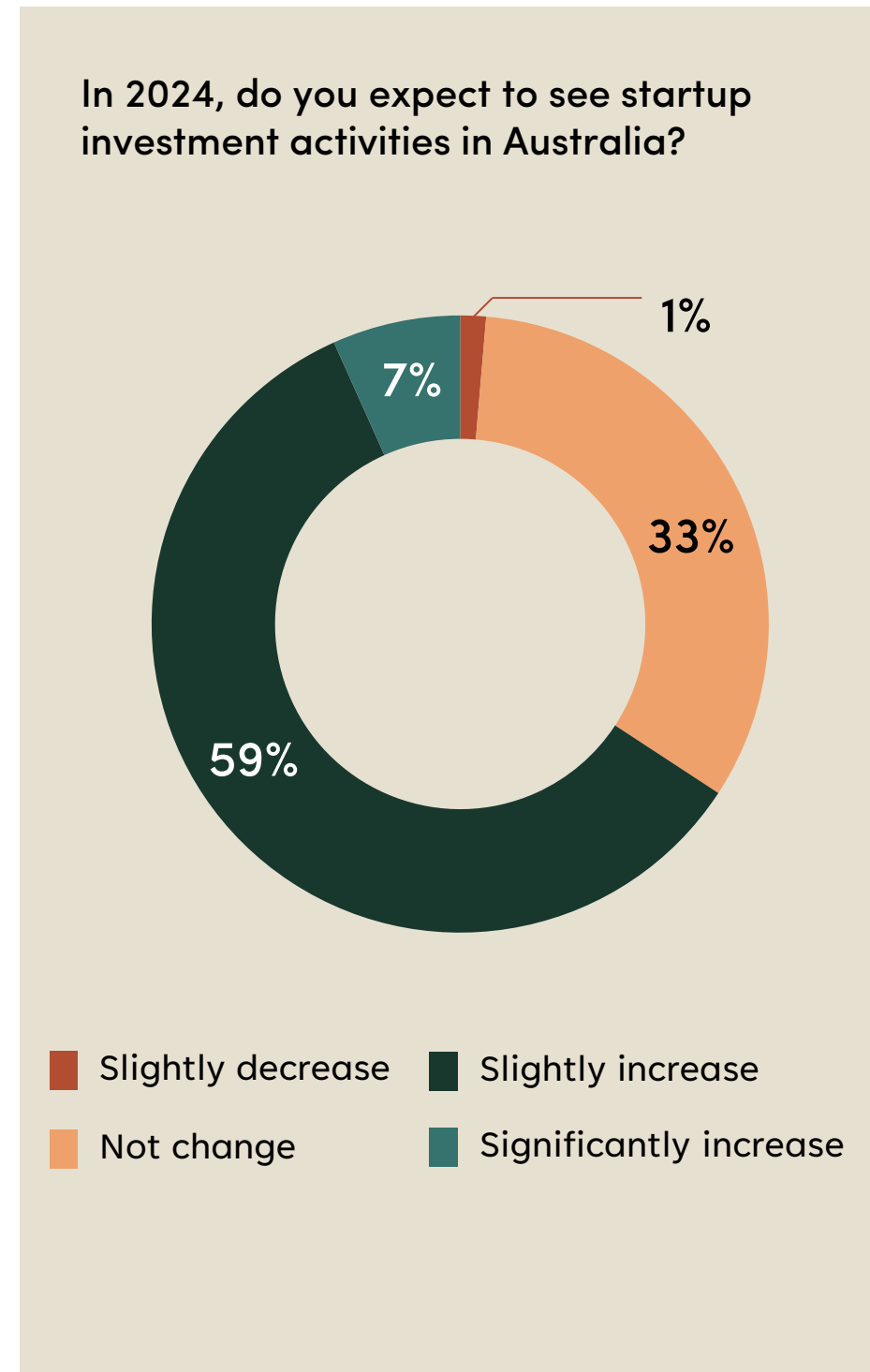
Although investors reported improved overall portfolio health, they continue to operate in support mode, concentrating efforts on safeguarding the viability and success of their existing investments. Layoffs and company closures were frequent occurrences, alongside an increased incidence of down-rounds. The use of venture debt continued to increase.




INVESTOR SURVEY INSIGHTS

# Looking to 2024


Heading into 2024, investors are optimistic, holding an almost unanimous belief that overall investment levels will not regress from those of 2023. Most investors are confident they will complete more deals, and 38% anticipate that these deals will be completed on terms more advantageous to investors.




The five sectors' investors are most excited about going into 2024 remained the same as last years

- 
30% AI/Big Data (2<sup>nd</sup> in 2023)


---

- 
22% Enterprise/Biz Software (3<sup>rd</sup> in 2023)


---

- 
19% Climate tech/Cleantech (1<sup>st</sup> in 2023)

---

- 
17% Healthtech (5<sup>th</sup> in 2023)

---

- 
13% Cybersecurity/Data Privacy/Digital ID (4<sup>th</sup> in 2023)

FOUNDER INSIGHTS

# Looking to 2024

It is likely that founders willing to complete the founders survey biased toward those who have funding plans on the horizon, and this showed in the data.

Of those surveyed, a significant majority have plans to raise in the next two years – 79% in 2024 and 13% in 2025.


Many founders spent 2023 sure-ing up their businesses, improving runways, and unit economics; positioning them for a stronger raise.

Despite the broader challenges in the funding landscape, these surveyed founders remain largely optimistic about their prospects of securing funding. This contrasted the prevailing sentiment that there are limited funding options available to founders.

## FOUNDER SURVEY INSIGHTS

92% 

said they plan to raise capital in 2024 or 2025

86% 

are confident they'll successfully raise their next funding round

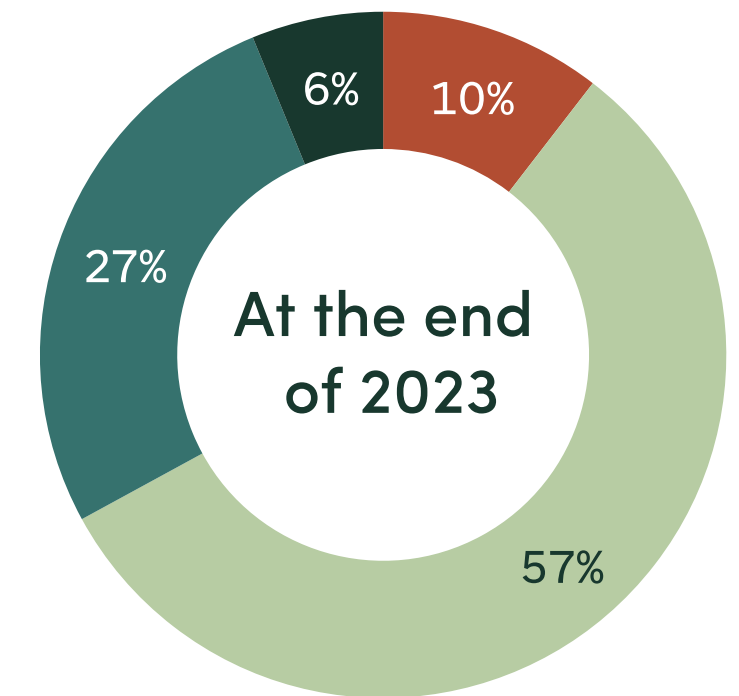
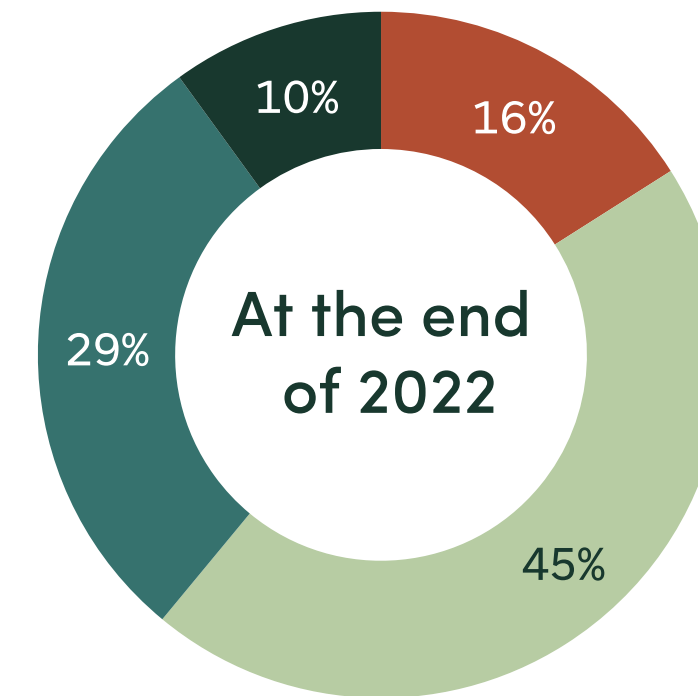
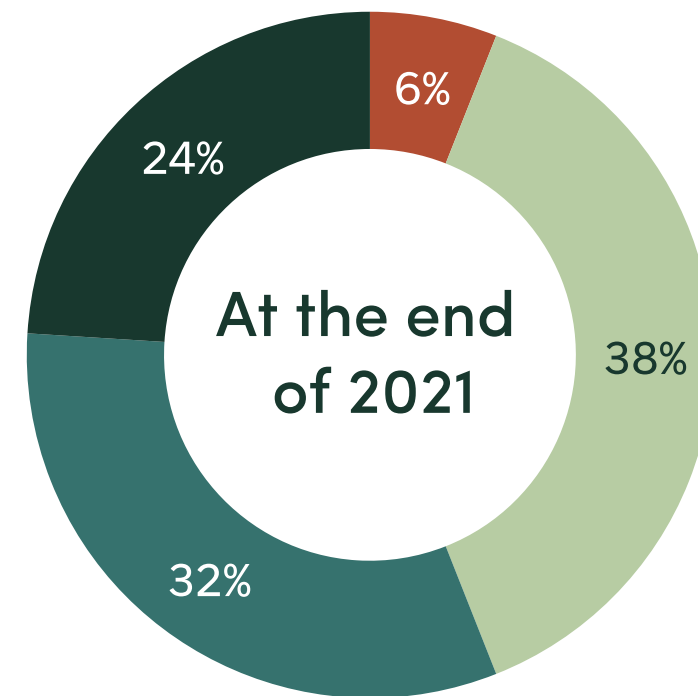
3% 

said they plan to never raise capital again

55% 

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

How confident are you that you will successfully raise your next funding round?



■ Not confident   ■ Somewhat confident   ■ Highly confident   ■ I don't know



ECOSYSTEM INSIGHTS

# Diversity

## A note from The State of Australian Startup Funding team

We made significant efforts to solicit survey responses from a diverse group of founders within the Australian ecosystem. Each founder was asked to complete an anonymous survey, providing details about their age, gender, ethnicity, and heritage. We recognise that diversity is multi-dimensional and that there are multiple factors that also influence founders' fundraising experiences.

We acknowledge that the responses we received may not fully and accurately represent all founders in the ecosystem and only present a sample view of the ecosystem. Nevertheless, we consider it important to report on the data we collected. We are committed to continuing our work with our networks to gather more comprehensive data from various communities in future editions of this report.

We extend our gratitude to all the investors, accelerators, and community leaders who assisted in gathering survey responses in 2023. Special thanks to the team at NiceTo for their guidance and support in our endeavour to collect valuable insights on diversity.

### INVESTOR SURVEY INSIGHT

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

Ensuring diversity within investment team	72%	Partnerships with diversity-focused accelerators and incubators.	34%
Recording and analyse diversity metrics of applicant founders	59%	Mentorship and programming for underrepresented founders	30%
Initiatives to diversify our sourcing channels	53%	Policies to ensure diverse representation in management and board within portfolio	27%
Source deals from networks focused on underrepresented entrepreneurs	51%	Diversity and inclusion training for our team and/or portfolio	21%
Collaboration with industry promote diversity and inclusion	50%	Dedicated investment programs for underrepresented groups.	8%
Maintain diversity in our partnership and investment committee	46%	We do not have specific initiatives for supporting diversity	7%



Although the market extends significant support to women and underrepresented founders, a noticeable gap in capital persists.

These founders bring unique perspectives and the potential to establish highly profitable and transformative companies.

It is crucial for our ecosystem to engage in an in-depth analysis of investment trends and proactively devise methods to expand access to capital for entrepreneurs from various backgrounds.

Such founders are essential for driving innovation and fostering a more inclusive and dynamic business landscape.



**Preethi Mohan**

Founder  
NiceTo

## FOUNDER SURVEY INSIGHTS

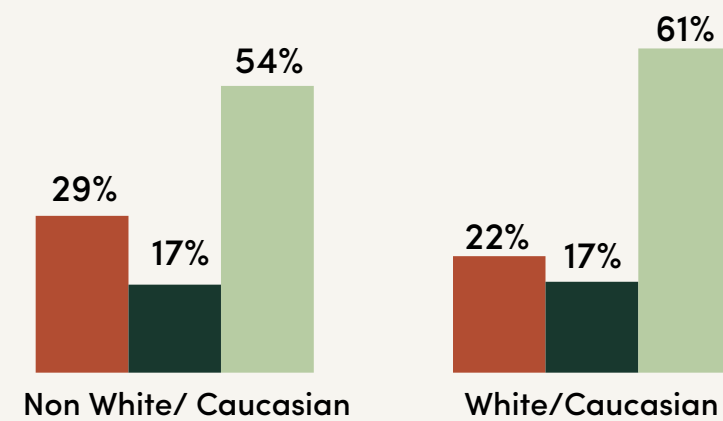
# Divergent outcomes visible

The founders' survey revealed variations in perceived support and capital-raising ability among founders from different ethnic groups.

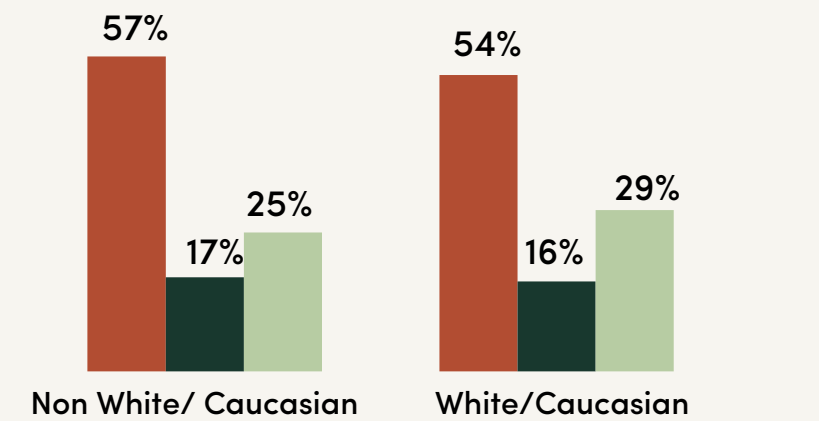
We collected more detailed ethnicity data in the founders' survey, using the ethnicity categories from the Australian Census Survey.

However, due to limited response rates across all ethnic groups, we divided the survey sample into two broad categories for the analysis presented below. In future editions, we aim to report on more detailed data, which we believe will offer deeper insights to readers.

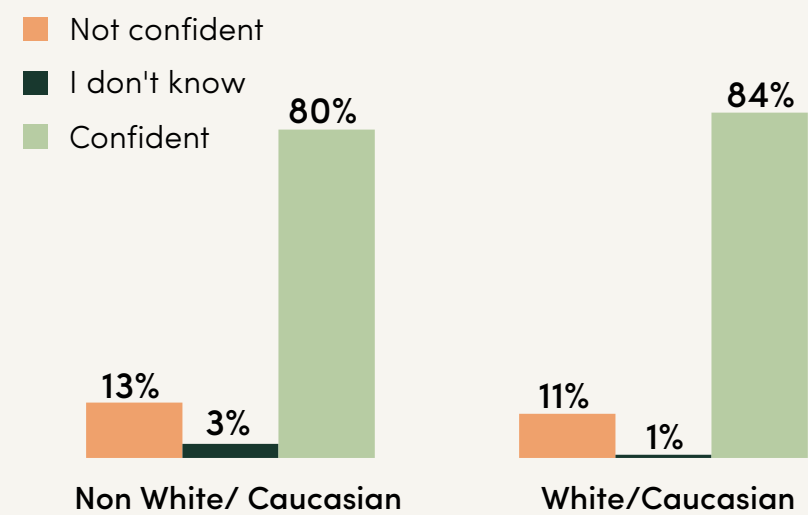
I feel supported by the wider entrepreneurial community and startup ecosystem in Australia.



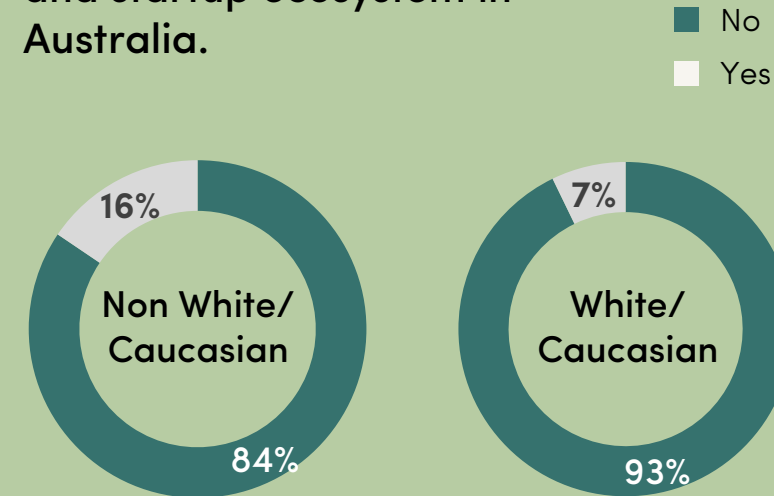
I feel that there are many funding options available to Australian startups.



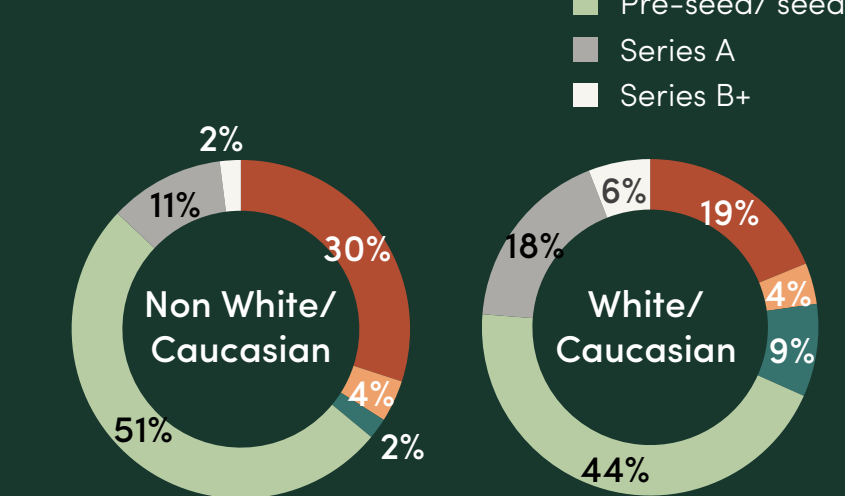
How confident are you that you will successfully raise your next funding round?



I feel supported by the wider entrepreneurial community and startup ecosystem in Australia.



What is the latest stage of capital you've raised?



In 2023, there was an increased awareness of the lack of funding for diverse founders in the Australian venture ecosystem. As we look forward, we will see true believers in the diversity thesis – that diversity increases the likelihood of outsized returns – allocate capital.

Ultimately, it is for first movers to prove outperformance in the context of an Australian venture. This will pave the way for generalist investors, which will lead to greater social impact.



**Daniel Veytsblit**

Partner  
Backbone Partners

## INVESTOR INSIGHT – SECTOR DEEP DIVE

# Artificial Intelligence

**It's clear that 2023 was an extraordinary year for technology, in large part thanks to what we've seen coming from AI startups and research. Platforms like ChatGPT, DALL-E and Midjourney captured the imagination of consumers, developers and investors alike. Australia, thanks to its world-class developer talent, has a real shot at producing generational AI businesses. I personally have never felt more excited to be a technologist.**

### An overnight success, decades in the making

Over time AI has seen hype cycle after hype cycle accompanied by expectations that were often greater than what the technology could deliver.

In 2023 (and late 2022) ChatGPT became a global phenomenon, in part because it felt as though we were finally seeing some of AI's true potential come to life.

This inflection point is not merely another hype cycle. It represents the culmination of decades of research, data proliferation (thanks to the open internet) and growth in computing power. These three factors have been severe limitations for the progression of AI's capabilities.

It's not just generative AI that's seeing breakthroughs, either. Truly autonomous vehicles now roam the streets of San Francisco and are able to be booked as easily as one books an Uber. AI-enabled drones deliver food in Canberra and Brisbane. We are living in the future we were promised.

### The Australian ecosystem

There's much disgruntlement about Australia's missed potential as an AI powerhouse among experts, especially since the disbanding of the early

NICTA group and the overseas departure of some of Australia's most credentialed AI researchers. Fortunately, Australian developers are well-positioned and excited to make up for lost progress.

The barriers to building with AI have been rapidly diminishing and the skillset required to build an excellent AI-enabled product have changed. Speaking to researchers at OpenAI, they find that team members who join with software engineering skills are better equipped to learn AI than researchers who try to learn software engineering skills.

Australia has world-class software engineers, many of whom are currently rapidly upskilling in AI.

Beyond startups, enterprises are taking to building AI solutions with fiendish excitement. Whilst many enterprises have started to understand the difficulty of productionising AI models, an ecosystem of support players (consultancies, developer studios and cloud hyperscalers like Google and Amazon) have been investing significantly to support them. An increased level of comfort and familiarity with AI from enterprises will be a huge revenue driver for the startup sector, as enterprises have both the deep pockets and excitement to implement AI.

### What to expect in 2024

Investors this year were simultaneously extremely excited by AI and very wary about investing in the wave of AI companies being founded. Many continue to feel a degree of anxiety about evaluating the longevity of these businesses in a space that's moving faster than any other we've seen.

In the year to come, I expect to see more investors find comfort in investing in these new products, but with an increase in scepticism due to:

- 1) the number of businesses founded to solve very similar problems; and

- 2) the number of fast failures or quick pivots being seen in these businesses that are struggling to find sound footing amidst the change.

There may also be some cooling of the sky-high valuations seen for AI companies as scepticism rises and investors become more conscious of the difficulty of raising new venture funds in this macroeconomic environment.

Increasingly AI-savvy investors are talking about their interest in AI businesses that combine the technology with deep domain expertise to solve a specific problem that's difficult for larger players to fast follow. We'll also see more cross-modality and multi-modal applications and more developers moving away from building purely on OpenAI's architecture to more tailored, open-source alternatives.



**Casey Flint**

Senior Investment Associate  
Square Peg Capital

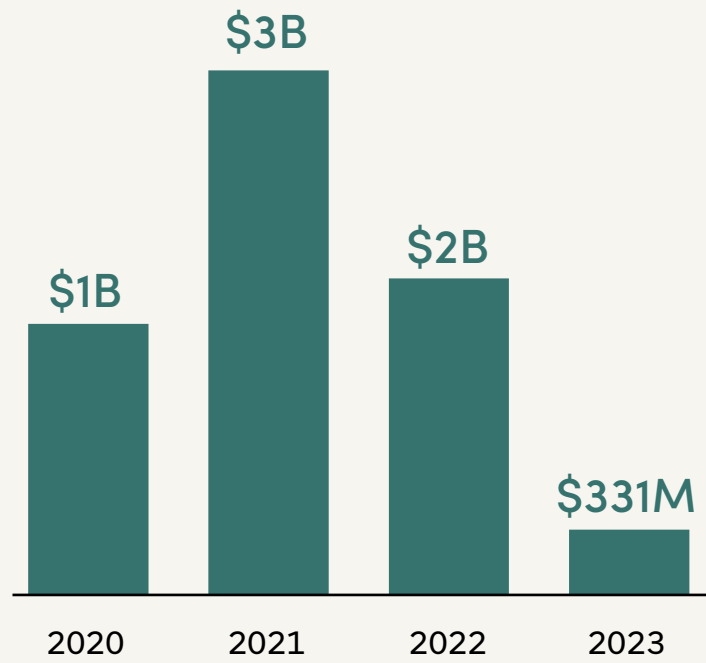
### A note on Artificial Intelligence deal data

Cut Through Venture's data currently does not tag startups that utilise artificial intelligence to power their offering. In this report, startups categorised under Artificial Intelligence / Big Data are limited to those considered by us to be pure-play artificial intelligence companies. For this reason, we have not included detailed Artificial Intelligence funding statistics to accompany the above insights.

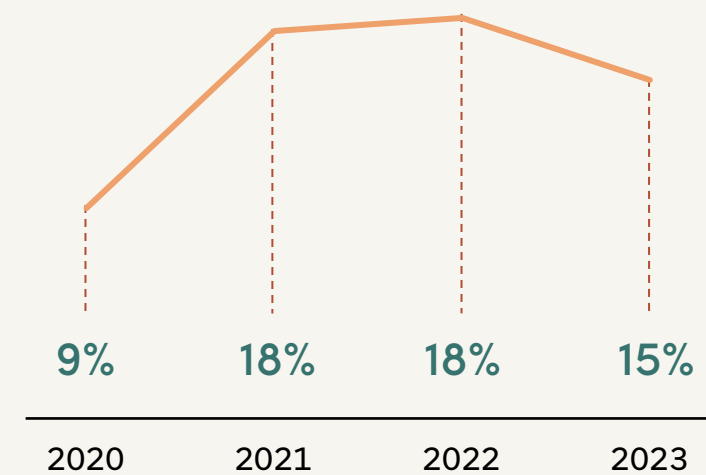
INVESTOR INSIGHT – SECTOR DEEP DIVE

# Fintech

Total Funding



% Deals with Female Founder



There’s a window in 2024 for Australia’s fintech industry to turn a corner after two years of treading water. Funding for fintechs in 2023 continued its downward trend in 2022.

Global uncertainty, regulatory complexity, unfavourable job market conditions and rising interest rates have all led to reduced overall investment and fewer deals compared to 2022. This is further exacerbated by rising costs of customer acquisition, resourcing and decreasing revenue.

Organisations that are focussed on self-sustained profitability, efficient reorganisation, proven business models and resilience will be able to weather this storm as we expect more consolidation in the industry.

Australian fintechs are known for their efficient capital management compared to their global counterparts. This, along with government trade and investment programs, have supported their ambitions to go global despite the challenging economic environment. The fintech sector has built a strong track record of innovation, transformation and growth.

**Sub sectors continuing to grow**

While fintechs’ largest sub sectors are in payments, lending, wealthtech and backend tech, there is a growing popularity for solutions in regtech, ESG, sustainability, greentech, and AI. These new sectors are expected to drive renewed interest for fintech from investors. In addition, new proposed rules for ESG reporting will bring more structure and transparency to organisation’s

reporting and disclosures.

**Regulatory reforms**

Australia is undergoing significant regulatory changes and policy updates that will foster further innovation and investment in the sector. While Consumer Data Right’s expansion into new sectors is setting the foundation for unique fintech solutions, further payments reform will promote a safe, efficient and competitive payments system. The regulation of digital and crypto asset platforms will enable further growth and competition in Australia’s financial sector.

**Future outlook**

Though it will likely remain a challenging market in the near-term. We’re at a critical inflection point where the right investments, government incentives, streamlined regulation and continued trade and investment programs will contribute to the growth of Australia’s digital economy. Australia’s productivity and prosperity depends on our nation being a great place to start and grow a business -- and a vibrant fintech sector is essential for this goal.



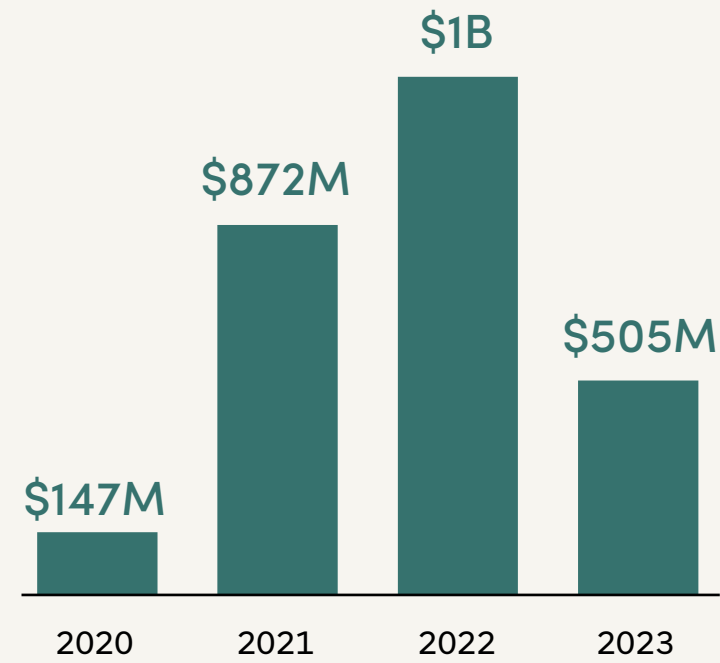
**Rehan D'Almeida**

General Manager  
Fintech Australia

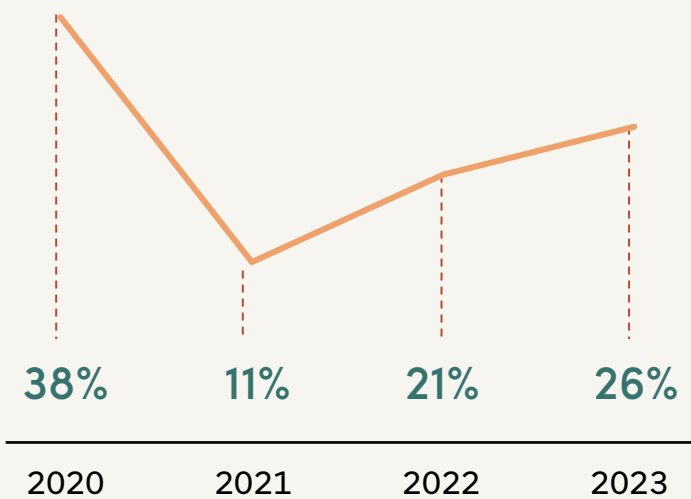
## INVESTOR INSIGHT – SECTOR DEEP DIVE

# B2B Software

### Total Funding



### % Deals with Female Founder



B2B Software is the stalwart of tech investing in Australia, with dozens of highly successful B2B software exports across functions e.g. EmploymentHero, Deputy, SafetyCulture, Atlassian and vertically into industry e.g. Aconex, Siteminder.

We know what business buyers want to buy and we aren't afraid to get on a plane and establish where our customers are, often relocating founders to US, Europe or abroad or learning how to manage from Australia and hiring talent to complement our Aussie teams.

Plenty of companies have come and gone but in 2023 the new and emerging entrants got an opportunity to test their mettle. With a tighter fundraising environment and enterprise buyers being more selective on where they spend their precious procurement dollars, founders had to ensure they were solving real problems at a value point that encouraged people to consider the shift.

Thankfully for those teams that are building mission critical business software it was a year that resisted the head winds of a tougher capital market with many able to either become default alive through smart pricing, product and contract terms and/or pry investment dollars out of investors cold hands, proving Australia continues to punch outside of its weight class in the space.

We see 2024 being no different and are excited to be backing the next generation of B2B software winners.



**Matthew Browne**  
Managing Partner  
Black Nova VC



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

In B2B SaaS-land, 2023 was a challenging year with shrinking customer budgets, much tighter funding conditions and an uncertain and often changing outlook. If there was a theme in the broader market, it was "doing more with less", and the companies that achieved this find themselves at the start of 2024 on a far healthier, more sustainable footing.

"Year ahead" predictions are not my strong suit, but I would say with reasonable certainty that the underlying conditions of 2023 will persist, and that AI will continue to be in the foreground of most conversations. Waves like AI tend to dominate for a period, then pass through, either to return at a later date or to become a permanent part of the landscape.

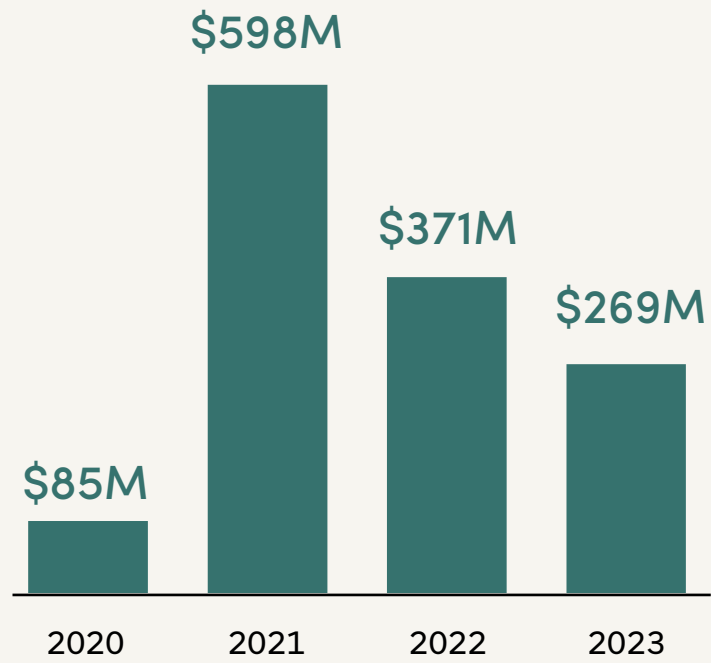
The enduring qualities we look for in B2B SaaS start-ups are: is there a large and valuable problem to be solved; does the product uniquely solve that problem; and does the team have the ambition, resilience and adaptability to bring it to fruition? We don't see that changing.

In investing, you often see the disclaimer "past success is no guarantee of future performance"; however, over many years, Australia has proven itself to be an amazing generator of iconic B2B SaaS companies, and we don't see that slowing down any time soon.

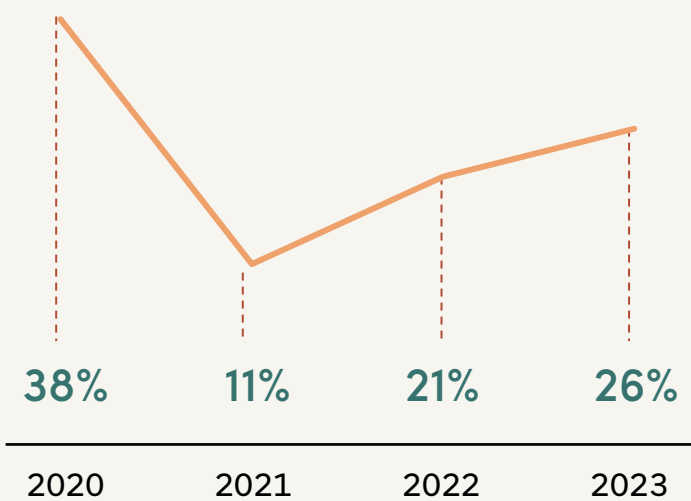
## INVESTOR INSIGHT – SECTOR DEEP DIVE

# Biotech and Medtech

Total Funding



% Deals with Female Founder



For those astute readers of last year’s Healthtech/Biotech summary where Emily Casey, founder of ‘What the Health’, predicted tougher times for life science in 2023. That prediction played out with a colder investment landscape compared with 2022, especially for new or early-stage investments in Australia.

The US IPO market was closed for most in 2023, leaving many established biotechs to consolidate the capital they had, reducing cash burn or, in some cases, re-engaging the private investment market with predominantly insiders at flat rounds.

Many were still unable to do this and sought ‘strategic options’, cutting staff and driving M&A activity for small to medium biotechs. In this environment, private investors were forced to support existing portfolio companies reducing capital available for new, earlier investments.

In parallel, or as a consequence, pharma played it safe with M&A activity focused on traditional ‘blockbuster’ deals, mostly for proven modalities (small molecules and antibodies) with clinical proof of concept. Overall, 2023 deal activity was down to pre-pandemic numbers for both healthcare and life sciences. The industry is still grappling with the impact of three key US policies; the Inflation Reduction Act; FTC’s new and increased anti-competition assessments (Illumina-Grail and Sanofi-Maze); and the new ‘march in’ rights for NIH-funded innovations.

Those of us with enough grey hair will recall similar challenges in the past and remember that the companies that survive the current cycle will be stronger for it.

Rest assured, better times are ahead, although maybe not in 2024. Biotech is cyclical, and in these tough capital markets, companies should focus on the fundamentals such as clinical milestones, efficient use of capital, hiring the best people and paths to key inflection points to ensure your company is in the best position to capitalize on the ‘green shoots’ when they arrive.



**Dr Goslik Schepers**  
Senior Investment Manager  
Brandon Capital



**Melissa Mail**  
Investment Manager  
Uniseed

In 2023, Australia’s bio/medtech sector continued to make its mark globally and we saw an exciting range of innovative drugs, medical devices, diagnostics, and digital health solutions are emerging from our universities and research institutions. This flow of new ideas reinforces our country’s role as a nurturing ground for advanced research and development.

Yet, the journey to bring these innovations to life isn’t without its challenges, especially in securing essential funding during the critical pre-clinical and clinical stages. To maintain the growth and dynamism of this important sector, it’s necessary to put in place supportive strategies that help bridge this funding gap. These efforts should focus on guiding these promising innovations from their early conceptual stages through to practical clinical application.

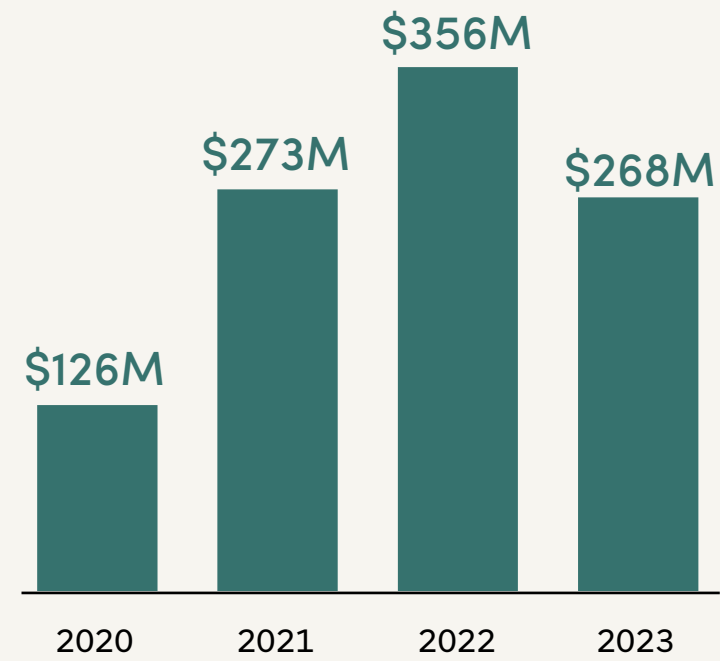
While there are hurdles along the way, our belief in the potential of this sector remains strong. By fostering a collaborative environment and building partnerships between academia, startups, and established industry players, we can more quickly turn groundbreaking research into real-world health solutions.

This collective approach is vital to lifting Australia’s bio/medtech sector to new heights, enhancing our nation’s reputation as a centre of healthcare innovation and excellence.

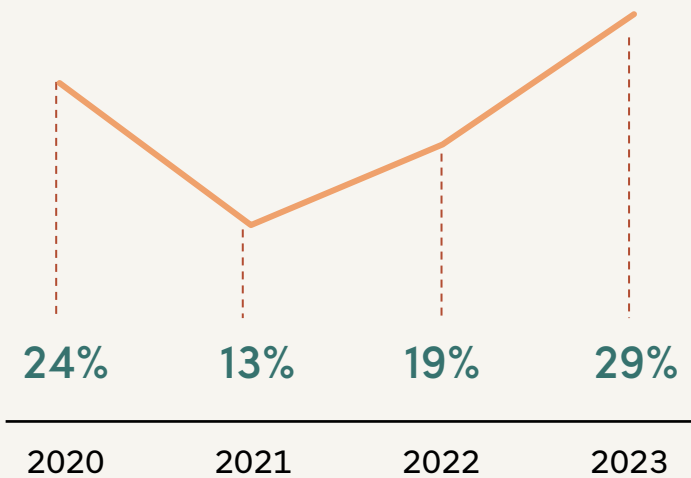
INVESTOR INSIGHT – SECTOR DEEP DIVE

# Climate Tech and Cleantech

## Total Funding



## % Deals with Female Founder



**As climate deadlines encroach, Australia stands at a crossroads – will we step up as environmental innovators, or be left behind?**

Over the last 12 months, new research and global mandates addressing emissions highlighted the need for climate action, reinforcing investor interest in the most promising startups across the climate tech sector.

Economic conditions motivated a recalibration in the local ecosystem that saw founders needing to extend capital runways and adapt to a more discerning market.

Despite this, many Australian climate startups have continued gaining ground and are poised to become global leaders. Regrow Ag, Loam Bio and SunDrive show immense promise, alongside younger but equally impactful ventures like Samsara and MGA Thermal.

Main Sequence’s investment mandate is to unearth and build deep tech companies that solve global challenges. These companies are future-fit – designed not for the world as it is, but for the resilient world we need. Promising fields like carbon capture, long-duration energy storage, sustainable food systems, plant-based proteins, plastics alternatives, and decarbonisation through synthetic biology point the way forward.

Looking at the year ahead, investments that address climate challenges through deep tech will remain a high priority for venture funding as we seek to nurture a paradigm shift to support a more sustainable world.



**Gabrielle Munzer**

Partner  
Main Sequence



**Rod Bristow**

Chief Executive Officer  
Investible

Recent years have seen similar headwinds for investment in climate tech as private markets generally, albeit with some nuance in the form of increased capital allocation to climate-related investments. Alongside this trend, Australia’s industry continues to mature, advancing toward its potential as a global powerhouse.

With a CAGR of 23% since 2020, the global climate tech sector has been bolstered by ground-up innovation and public sector endorsement. Recognising the need to catalyse investment in emerging technologies, nearly \$1 trillion in incentives are available via the United States’ Inflation Reduction Act, the EU’s Green Deal and Australia’s National Reconstruction Fund.

In terms of private capital, a turbulent post-pandemic economy has affected risk capital substantially. This has been particularly prevalent for capital-intensive physical-based companies (hardware, deep tech, etc.), which don’t follow the same well-recognised path the software-dominated venture ecosystem is used to.

The risk for our homegrown industry and founders is that in an absence of local support, investment—notably first-of-a-kind (FOAK) funding—and opportunity will be sought offshore.

Neighbouring economies in South and Southeast Asia are pursuing climate resilience as they mature. The ASEAN-Australia corridor (i.e. the green energy transition projected to attract A\$4t by 2030) is an immense opportunity for local startups due to the trend toward sovereign capability in a multi-polar world. Critical minerals, infrastructure, and agri-food are also illustrative examples.

We believe firmly that the ‘climate’ thematic will continue to permeate the technology industry as the world aligns economic growth with sustainability and stewardship long term.

## INVESTOR INSIGHT – SECTOR DEEP DIVE

## Impact Investing – Optimism and resilience in an evolving landscape

**As we reflect on the challenges that characterised the subdued investment market in 2023, the resilience of impact startups stands out. Notably, climate tech continues to outperform the broader market, showcasing the persistent and growing opportunity for climate tech startups against the economic and geopolitical upheavals of the past year.**

Despite a 40.5% decline in global private market funding for climate tech in 2023 compared to 2022, this dip was milder than the over 50% contraction in the overall VC market. This comparative resilience suggests a growing recognition among capital allocators of the scale and urgency inherent in addressing the climate crisis and underscores the weight of the capital committed by investors in the sector over the last five years.

At Giant Leap, our optimism toward climate tech is reinforced by substantial consumer and regulatory support. Recent greenwashing actions brought by the Australian Securities and Investments Commission and the Australian Competition and Consumer Commission highlight both the risks and opportunities in the sector. Regulatory scrutiny not only works to prevent this wrongdoing but also opens avenues for new market opportunities driven by government regulation. For example, regulatory changes such as mandatory climate-related financial disclosures, increased ESG information disclosure requirements, and bolstered emphasis on Scope 3 emissions reporting are likely to drive demand.

The increase in extreme weather events, supply chain disruptions, and energy price volatility will also further boost investment. This year, we foresee a heightened focus on technologies promoting sustainable food production and agriculture, circular economy solutions minimising waste and enhancing resource efficiency, and innovations supporting biodiversity and nature conservation.

We're also seeing growing opportunities in other impact areas, such as education and health.

In education, there is a renewed emphasis on achieving robust educational outcomes and adopting evidence-based strategies as the job market becomes tighter and employees are incentivised to reskill and upskill. This opens up fresh possibilities, particularly in incorporating generative AI into educational frameworks and expanding access to affordable, high-quality education enabling lucrative career paths on a global scale.

In health, we are seeing the continued transition from reactive to preventative health models. This shift has given rise to contemporary health and medical enterprises, manifesting in some distinct industry verticals, including Women's Health, Personalised Diagnostics, Connected Fitness and Wellness, Preventative Health and a general modernising of traditional health brands, paving the way for innovative consumer experiences and more consumer-focused product offerings.

While economic downturns and geopolitical uncertainties may affect funding availability over the short term, the trends and

urgencies surrounding impact investing, particularly in climate tech, education and healthcare, continue to offer promising opportunities for investors seeking both venture returns and positive societal impact.



**Adam Milgrom**

Partner  
Giant Leap



**Katarina Throssell**

Investment Associate  
Giant Leap

#### A note on Impact Investing deal data

Startups categorised as impact-led organisations span a wide range of industry sectors. Cut Through Venture's current data collection practices do not specifically tag startups that would fall under this categorisation. For this reason, we have not included detailed Impact Investing funding statistics to accompany the above insights.



## 02 The State of Liquidity

As we mark a decade of venture capital in Australia, the conversation pivots to liquidity, heralding a new chapter for the local VC landscape. With the inaugural group of VC funds nearing the twilight of their investment cycle, attention now turns to the crucial task of liquidating assets and returning capital to Limited Partners.

This phase puts the Australian VC community to the test, challenging it to prove its mettle as a viable investment avenue.

The significant growth of domestic VC firms from their humble inception to now highlights confidence in innovation as an asset class. Yet, the endgame for Limited Partners remains clear: the realisation of substantial cash returns.

# Five Things to Know

## 1

### A decade into Australian VC, talk of liquidity comes to the forefront

The first cohort of local VC funds is nearing the end of their investment lifespan. Now, the focus shifts towards liquidating investments and distributing capital back to Limited Partners. This pivotal moment challenges the Australian VC ecosystem to validate itself as a sound investment category.

The notable rise in capital amassed by domestic VC firms, compared to their modest beginnings, underscores a strong belief in innovation investing. However, ultimately, Limited Partners require substantial cash returns.

## 2

### More well-known exit options less common than assumed

While acquisitions and IPOs are spotlighted as common liquidity events, they occur less often than is widely presumed. Instead, for all investors on the capital table, secondary transactions—where stakeholders sell a portion of their shares to another investor—are gaining broader acceptance and increasing in frequency.

As funds approach their investment horizon, the need to engage specialist funds, growth funds, and family offices as purchasers of positions is anticipated to intensify.

## 3

### Flexible and prepared thinking on exits needed in tough markets

Flexible thinking on investor exits is necessary in uncertain environments, highlighting the importance of exiting upon opportunity rather than necessity. A fatigue exit involves selling when an investment diverges from expected outcomes, often to existing stakeholders or through advisers. Tactical exits via a sale may be opportunistic or leverage favourable market conditions. The optimal exit strategy, aiming for an IPO, suits the strongest companies with dedicated management, though it's not always achievable.

## 4

### Technology sector leads global stock market rebound

Despite geopolitical tensions and economic shifts, technology stocks drove significant gains in global list markets, with the US Nasdaq soaring by 44%. This success, however, was not mirrored in IPO activity, which, reflecting the downturn in venture capital, fell by 33% compared to 2022.

Enthusiasm for new technologies, particularly AI, suggests that investments in technology are expected to increase, supporting a broader equity market rally over the course of 2024.

## 5

### Tech and consumer sectors fuel ASX rally amid IPO decline

The ASX saw a decrease in IPO capital raised to \$1.1 billion across 45 listings, significantly lower than its five-year average. However, secondary raises showed resilience with only a 14% dip.

The S&P/ASX 200 index also experienced a notable rally, delivering a total return of 12.4%, driven largely by technology and consumer discretionary sectors, which significantly outperformed the market over the course of the year.

PARTNER INSIGHT

# The state of global technology funding



**Global markets in 2023: Back in the driving seat**

The technology sector powered a rebound in global stock markets in 2023, amid ongoing geopolitical tensions, interest rate volatility and slowing economic growth.

Technology stocks were among the biggest drivers of global equity performance in 2023, as cooling inflation and a peak in interest rates brought investors back to growth stocks. The tech-heavy US Nasdaq added 44% in 2023, outpacing the 14% gain for the broader Dow Jones Industrial Average.

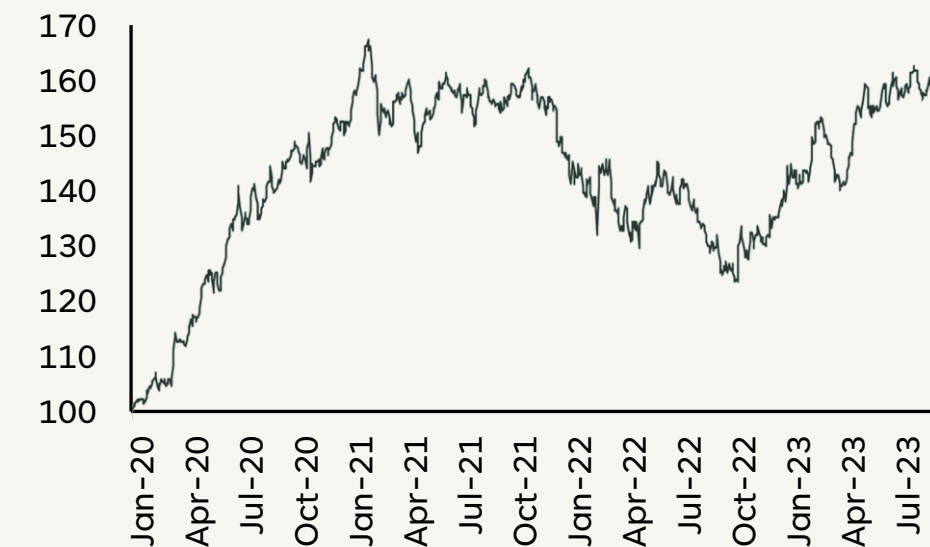
The FTSE All-World equity index finished the year up 23%, reversing an 18% plunge in 2022, and the same pattern was evident across major markets. In the US, the S&P500 index gained 24% in 2023, following a drop of 20% the year before. Australia's S&P/ASX 200 rebounded 8% after a 5.5% drop in the previous year.

Japan was the standout among equity markets in Asia Pacific, gaining 28% in 2023 as a weaker currency and persistently low interest rates continued to draw investors to the market. The FTSE China, conversely, slid 9% on concerns of slowing growth.

Enthusiasm around AI was a major driver of outperformance for megacap US tech companies, seen as the best placed to commercialise the data-intensive technology. This has also increased the

concentration of equity markets: the 10 biggest US stocks account for around 30% of the FTSE US index, and the same measure in Europe, Japan and emerging market benchmarks is at its highest for a decade.

**Performance of AI-related stocks <sup>1</sup>**



**Fundraising in 2022: Caution in capital raising**

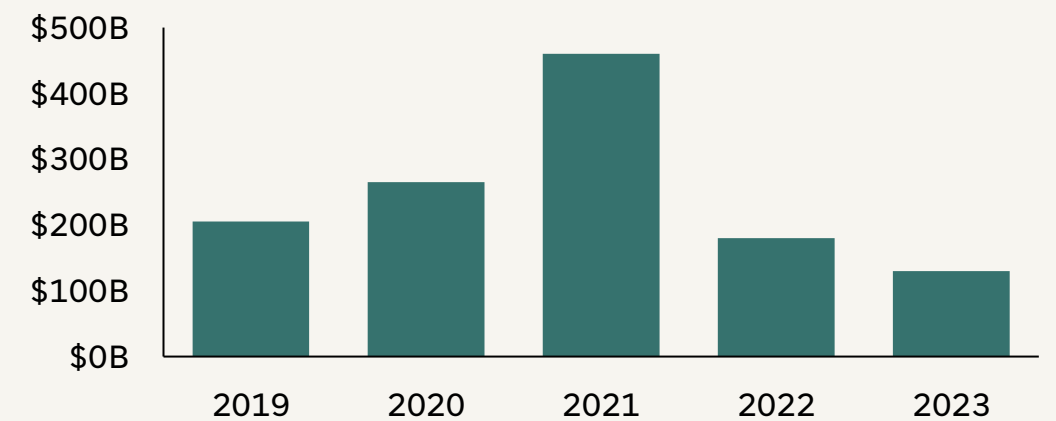
The rebound in global equity markets has yet to be reflected in primary capital raising.

The slump in initial public offerings (IPOs) in 2022 continued in 2023, reflecting the persisting risk-off sentiment. Global IPO proceeds fell 33% to US\$123.2 billion in 2023, according to EY.<sup>2</sup>

Despite high-profile technology listings from companies including ARM Holdings, Instacart and

Klaviyo, the tech sector saw a decline in IPO numbers, valuations and after-market performance in 2023.

**Global IPO activity by IPO proceeds (USD) <sup>2</sup>**



Start-up and early-stage firms have also struggled to raise capital in either equity or debt markets.

Global venture capital fundraising had hit US\$117.3 billion for 2023 as of end-September, having totalled US\$301.4 billion for full-year 2022, according to PitchBook data.<sup>3</sup> Similarly, global fundraising of US\$180 million for venture debt strategies in the first half of 2023 was heavily down on US\$6.5 billion the year before, show numbers from Private Debt Investor.<sup>4</sup>

Venture and early-stage investors have grown more cautious and more likely to support existing portfolio assets than fund new ones, thanks to the less certain

*(continued next page)*

This does not constitute advice and should not be relied upon as such. You should always obtain professional advice based on your specific circumstances before taking any action relating to matters covered by this publication. Some information may have been obtained from external sources, and we cannot guarantee the accuracy or currency of any such information.

PARTNER INSIGHT

# The state of global technology funding (continued)

geopolitical and economic environment, slowing growth, and higher rates (and thus higher funding costs). The IMF's baseline forecast is for global growth to slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024.<sup>5</sup>

The ongoing war in Ukraine and outbreak of conflict in Gaza in October have cooled investor confidence. And the collapse of Silicon Valley Bank (SVB), a big tech lender, in March 2023 further intensified the chill running through startup financing. HSBC acquired SVB's UK business and rolled it into a new entity, HSBC Innovation Banking.

**Outlook for 2024: Brighter times ahead**

We are optimistic for technology funding in 2024 as a more conducive rates environment brings businesses and investors closer in valuations.

With global inflation steadily moving lower, many central banks could well start making rate cuts in the first half of 2024. Notably, US Federal Reserve chair Jerome Powell said in December 2023 that tightening of monetary policy was likely over – and 17 of 19 Federal Reserve policymakers expect to see lower rates by the end of 2024.

Lower rates will be a powerful catalyst for growth equities, and particularly for technology. Worries about China's economy, which held back Asian equities in 2023, may fade if earnings growth remains strong.

"Slowing growth and a peak in policy rates should also favour growth relative to value and, in our view, will maintain the

outperformance of mega-cap tech in the US, increasing market concentration further," says Alastair Pinder, HSBC's Head EM and Global Equity Strategist.

That said, there is still the potential for further shocks in 2024. Persistent inflation could keep rates higher for longer, creating a drag on equity valuations. Geopolitical uncertainty is also likely to remain elevated, especially with US elections coming up later this year.

Looking at equities in general, tech is one of our two core sector overweights, and we expect mega-cap tech names to continue to outperform, driven by a wave of innovation and monetisation around AI and automation.

"We believe demand for software and services will remain robust, despite the weak economic outlook, as companies continue to invest in automation to reduce costs and support margins," says Pinder.

In the private markets, money has been pouring into tech startups of late, led by the likes of San Francisco's Anthropic and fellow Silicon Valley firm Inflection AI. That trend looks set to continue, given the potential applications of AI and automation in boosting productivity across multiple sectors.

Australia can ride the growth in this sector, given it has the ingredients to become a top 10 digital economy.

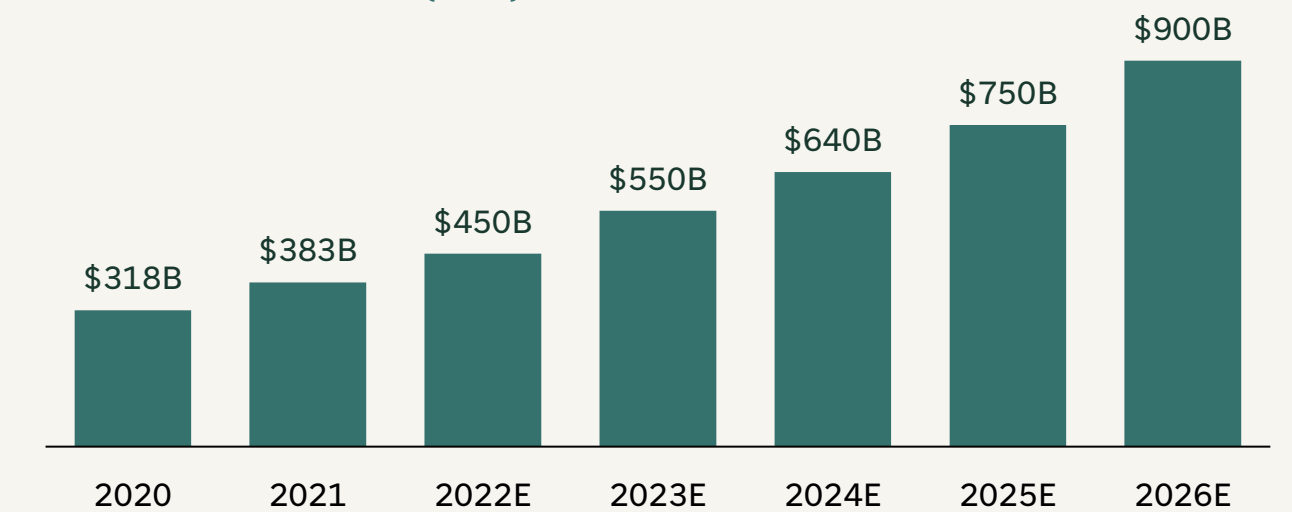
Tech is Australia's third-largest industry, projected to account for 13% of GDP by 2030. The country is ranked sixth globally as a fintech hub and ranks first among OECD countries for its capacity

to attract and retain highly educated talent.

HSBC signalled its confidence in the growth of Australia's tech sector in late 2023, setting aside an initial US\$150 million (AU\$228 million) of venture debt finance for late-stage VC-backed Australian tech scaleups. Venture debt is set to become an increasingly appealing option, complementing growth equity.

Globally, the strength of investors' enthusiasm around new technologies can support a broader rally in equity markets in 2024. As investors look beyond the top US megacaps, the global technology sector is well placed to benefit from a rebound in venture capital and other private funding – with AI leading the charge.

Global AI market size (USD)<sup>6</sup>



(1) FTSE Russell, Factset, Bloomberg, HSBC  
 (2) [https://www.ey.com/en\\_gl/ipo/trends](https://www.ey.com/en_gl/ipo/trends)  
 (3) <https://pitchbook.com/news/reports/q3-2023-global-private-market-fundraising-report>  
 (4) <https://privatedebtinvestor.com/the-changing-face-of-venture-debt/>  
 (5) <https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023>  
 (6) IDC, HSBC

PARTNER INSIGHT

# ASX capital markets: 2023 review and 2024 outlook



**With growth companies facing strong headwinds in 2023, better IPO conditions are expected in 2024 and beyond.**

The 2023 global IPO market grappled with economic headwinds – in particular, uncertainty around inflation and interest rates – with a notable contraction in listings compared to the previous year. There was a 15% downturn in the number of IPOs across the year, which tallied at 1,323 and a 30% decline in total deal value, amounting to US\$120 billion, according to Dealogic.

The second half of 2023 saw a re-opening of the IPO market, particularly in the US, where several companies crossed the US\$1 billion valuation threshold in their market debuts. High-profile companies such as Instacart, Birkenstock, and Klaviyo made their mark, and the largest IPO of the year – British chip designer Arm – achieved a US\$54.5 billion valuation, raising US\$5.2 billion. Nevertheless, an October market downturn led many companies to defer their IPOs, awaiting more conducive market conditions.

ASX saw \$1.1 billion of IPO capital raised across 45 listings in 2023, versus ASX's five-year average of \$5.4 billion raised and 120 listings a year. The total quoted market capitalisation from all new market entrants in 2023 including IPOs, demergers, dual and direct listings was \$33.7 billion, up 8% on 2022 numbers.

While the IPO market was relatively quiet in 2022 and 2023, ASX has seen more than \$1 trillion in additional capital quoted on the market over the last 10 years, including from new

listings, follow-on offerings, and other capital raised.

**Billion-dollar listings find a home on ASX**

Redox Limited (ASX:RDX) was ASX's largest IPO in 2023, raising \$402 million and achieving a market cap of \$1.3 billion at listing in July. Redox – a family-owned chemical and ingredient distributor – listed to achieve liquidity for the family, which sold down 30% of the company, and raised growth capital for offshore expansion.

The spin-off of Storage King from Abacus Property Group, into Abacus Storage King (ASX:ASK) in August saw \$225 million in capital raised at a valuation of \$1.8 billion.

In October, Nido Education Limited (ASX:NDO) raised \$99 million in IPO capital for a \$220 million market capitalisation.

The most significant listing by value was the dual-listing of American mining titan Newmont (ASX:NEM), which followed its Newcrest acquisition. The listing placed \$20 billion in CHESS Depositary Interests (CDIs) on ASX, increasing Newmont's total market capitalisation to approximately \$68 billion. This transaction solidified Newmont as the world's leading gold and copper company, comprising 17 operations across nine countries, building on its commitment to sustainable and responsible mining.

Other dual listings included Nasdaq-listed US-based gaming business Light & Wonder (ASX:LNW) and NZX-listed NZ-based logistics company Freightways (ASX:FRW), with valuations at listing of \$8 billion and \$1.4 billion respectively.

Following its listing on ASX, Light & Wonder (ASX:LNW) entered

the S&P/ASX 200 index, further driving liquidity in the stock and ended the year with a market capitalisation of \$10.9 billion.

The year closed with the \$11 billion merger and dual listing of Livent and Allkem, forming Arcadium Lithium (ASX:LTM) and establishing it as a top-three global lithium chemicals producer.

While numerous anticipated listings in sectors ranging from consumer discretionary to industrials chose to wait out 2023's uncertainty, there was an increase in M&A deal value in Q4, according to Dealogic. A key transaction was Sigma Healthcare's (ASX:SIG) announced merger with the Chemist Warehouse group, poised to create a \$8.8 billion ASX listed heavyweight, pending regulatory approval, with completion

Listing Date	Company Name	Sub Industry Name	Market Cap
27-Oct-23	NEWMONT CORPORATION	Gold	\$68.8B
22-Dec-23	ARCADIUM LITHIUM PLC	Diversified metals and Mining	\$11.B
22-May-23	LIGHT & WONDER INC.	Casinos and gaming	\$8.5B
1-Aug-23	ABACUS STORAGE KING	Self-storage REITs	\$1.9B
14-Sep-23	FREIGHTWAYS GROUP LIMITED	Air freight and logistics	\$1.4B
3-Jul-23	REDOX LIMITED	Trading and distributors	\$1.3B
21-Dec-23	BRAZILIAN RARE EARTHS LIMITED	Diversified metals and mining	\$343M
16-Oct-23	NIDO EDUCATION LIMITED	Specialised consumer services	\$220M
9-Jan-23	VHM LIMITED	Diversified metals and mining	\$190M
12-Jan-23	ACUSENSUS LIMITED.	Application software	\$100M

*ASX Internal, S&P Capital IQ as of 31 December 2023*

*(continued next page)*

This does not constitute advice and should not be relied upon as such. You should always obtain professional advice based on your specific circumstances before taking any action relating to matters covered by this publication. Some information may have been obtained from external sources, and we cannot guarantee the accuracy or currency of any such information.

PARTNER INSIGHT

# ASX capital markets: 2023 review and 2024 outlook (continued)

## ASX: A resilient platform for capital raising amid global downturn

In a year that saw global venture capital funding plummet to its lowest since 2018 with a 38% decline according to Crunchbase, ASX stood out for its resilience, reporting only a 14% dip in secondary capital raised at \$34.5 billion. ASX has maintained its leading position amongst exchanges globally in terms of number of follow-on offerings for the sixth year in a row with 1,150-plus transactions in 2023, according to Dealogic.

Notable follow-on transactions included Orora's (ASX:ORA) \$1.3 billion raising for the Saverglass acquisition and APA Group's (ASX:APA) \$875 million to acquire assets in Pilbara. Infratil (ASX:IFT) and Treasury Wine Estate (ASX:TWE) raised \$851 million and \$825 million respectively, in follow-on offerings for strategic acquisitions, while Star Entertainment Group (ASX:SGR) bolstered its balance sheet with a substantial \$800 million raising.

These instances of substantial follow-on offerings on ASX reflect the market's strategic importance for companies seeking to fund significant transactions in short time periods, particularly in a globally challenging funding climate.

### Volume of follow-on offerings of select exchanges 2023 (USD)

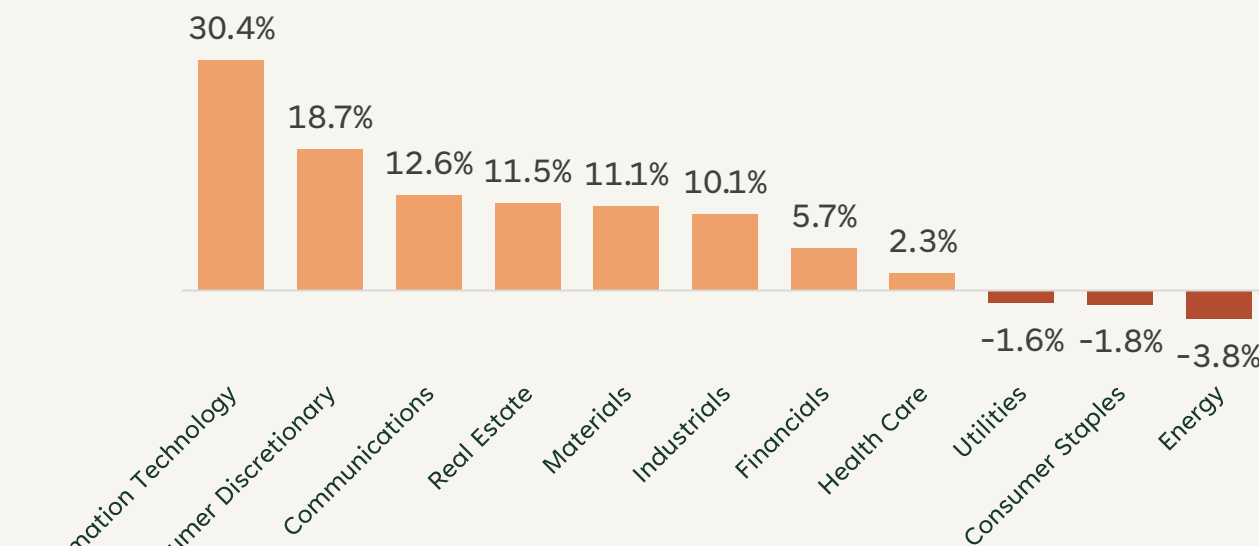


## ASX market performance review

In secondary markets, ASX experienced a notable rally in the latter part of last year, fuelled by speculation that the US Federal Reserve might initiate a reduction in interest rates. The market experienced robust growth, with the S&P/ASX 200 delivering solid price returns of 7.8% (just 0.5% below its record high of 7628.9 in 2021).

When adding back the 4.57% dividend return of the S&P/ASX200, the total return in 2023 was 12.42%. Neuren Pharmaceuticals (ASX:NEU) was the best performing S&P/ASX200 stock, up 214% in 2023.

### 2023 S&P/ASX Index price return %



Tech companies experienced a strong year, driven in part by a rise in demand for digital services and innovations. This growth was spurred by widespread digital transformation, particularly in artificial intelligence across different sectors. Further contributing factors included an improvement in market sentiment and risk tolerance

following a challenging 2022, along with expectations of stabilising interest rates heading into 2024.

Overall, the 2023 results highlight a year where technology and consumer discretionary sectors significantly outperformed the market, while utilities, consumer staples, and energy lagged, and financials and healthcare showed more conservative growth.

### 2024 Outlook

ASX has a strong track record of enabling listings and capital raisings, even in a challenging global macroeconomic environment. It continues to be an attractive destination for both domestic and foreign companies seeking to access Australia's substantial and growing superannuation fund pool, which now boasts an impressive \$3.5 trillion in investable assets, according to the Australian Prudential Regulation Authority.

This growth in assets will continue to support demand for IPOs as market conditions become more favourable. Notwithstanding continuing macroeconomic and geopolitical risks, the current listing pipeline points to an increase in ASX IPO activity in 2024.



**Alice Nguyen**  
Manager, Listings  
ASX

Source: Dealogic, selected exchanges. Includes main and second boards where applicable. Includes placements, right issues, SPPs (excludes DRPs, employee share and options issues). Dollar value represents capital raised.



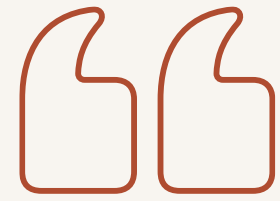
In a year where the public equity markets have been closed to new entrants, and there has been a dramatic shift in public market sentiment to efficiency over ‘growth at all costs’, the flow through impact to late stage private companies has finally happened in 2023.

Only the very best companies have been able to facilitate transactions and will no doubt there will be further pressure on previously well-funded but large loss making companies to find meaningful ways to create value for their shareholders and employees.



**Ed Cowan**

Investment Team  
TDM Growth Partners



2023 has been a slower year of exits, although the IPO window reopened briefly this year and is awaiting a broader reopening. Returning capital versus just demonstrating unrealised gains has also become a core focus for many funds with DPI being a key metric for future fund raises.

We can expect to see more of a focus on “optionality” as funds and founders look to opportunistically capture the varied forms of exits avenues which now spans public markets, M&A and secondaries and continuation vehicles (for funds). The “private for longer” thematic will also continue to hold into 2024.



**Karen Chan**

Portfolio Manager  
Perennial



As both equity and debt investors in late-stage venture backed companies we have decent insight into how founder and management teams are thinking about growth capital formation.

With a slowdown in exits, and growth rounds attracting lower valuations and more structured terms, most businesses that we track spent 2023 focused on sensible growth, minimising cash burn and unit economics – rather than chasing unsustainable valuations.



**Alex Mount**

Investment Director  
MA Growth Ventures

# Delivering liquidity – a primer on secondaries

Venture capital and angel investment has powered the success of countless global Australian technology companies over the last decade. It's clear that the ecosystem is maturing quickly. But liquidity, a critical ingredient in any sophisticated market, is only in its nascent stages in Australia.

## What's a Secondary?

**When a current shareholder, whether that be a founder, an employee, an early angel investor, or a professional investor, sells all or part of their stake to another investor.**

More talked about liquidity pathways like acquisitions and IPOs remain the exception rather than the rule.

And secondaries are a lot simpler than are commonly realised. A secondary process bears similarities to traditional fundraising methods in many ways. In this scenario, a secondary buyer invests with the same motivation for value creation as a primary investor.

This generally means that the better a company performs, the more likely it is to attract secondary investments.

## Timing

With the support of founders and key shareholders, secondary processes may commence at any point. These processes may coincide with a formal funding round or occur interstitially, the latter becoming increasingly prevalent.

Founders and principal shareholders are ideally positioned to determine the appropriateness of the timing for a secondary process. Should the timing be favourable, consideration is given to eligible sellers; opportune selling times; permissible quantities for sale; and prospective buyers.

## The Process

Most companies must run pre-emption processes when shares are bought and sold. This involves notifying all shareholders that a transaction has been agreed to at a certain price and offers them the right to transact if they want.

This is generally the main source of friction in secondary transactions due to the administrative burden. To reduce this, particularly for small transactions by employees or founders, companies can adopt 'minority disposal clauses' in their shareholder agreements. These allow small transactions to proceed without the pre-emption process.

## How are they priced?

Pricing is generally established between buyer and seller, not by the company. The buyer usually bases valuation on a recent round or, if outdated, uses the same valuation method investors in a primary round will use.

The ultimate transaction price varies according to the class of stock purchased. For example, common stock, offering fewer rights than preference shares, typically attracts a discount.

## INVESTOR SURVEY INSIGHT

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

**20%**  
discount  
(Median response)

## Sellers

**Founders:** Seek liquidity for financial security and the freedom to take business risks. Liquidating shares helps manage significant personal expenses, aiding focus on company growth.

**Employees:** Use secondaries to access wealth in stock options or shares, assisting with major life costs. This also serves as a reward and reduces pressure for early public offerings.

**Early angels:** Increasingly pursue partial liquidity for reinvestment or early return distribution. Angel investors view secondaries as a means to realise early gains.

**Professional investors:** VCs look for partial liquidity to rebalance investments and distribute returns. This strategy supports continued growth while generating investor returns.

## Buyers

**Secondary funds:** Specialise in buying secondary shares and providing liquidity to existing stakeholders. They are flexible in the size of investments made.

**Growth or cross-over funds:** Often acquire secondary shares to diversify portfolios and gain exposure to private companies with growth potential. Typically, they must make large investments.

**Family offices:** Invest in secondaries for long-term wealth management and diversification. They prioritize stable, long-term returns over immediate gains.

**Wealthy individuals:** Much like early angels, they seek both financial returns and often have a personal interest in the company's industry or mission.



## INVESTOR INSIGHT

# The emerging liquidity cycle

## FOUNDER SURVEY INSIGHT

Most likely exit strategy according to founders:

1. Acquisition by Another Company
2. Sale to Private Equity (secondary)
3. ASX Listing
4. Sale to Growth Stage Investor (secondary)
5. Overseas Listing
6. Secondary Market Sale
7. Management Buyout

## INVESTOR SURVEY INSIGHT

Most likely exit strategy according to investors:

1. Acquisition by Another Company
2. Sale to Growth Stage Investor (secondary)
3. Sale to Private Equity (secondary)
4. ASX Listing
5. Secondary Market Sale
6. Overseas Listing
7. Management Buyout

**A new cycle of liquidity is building in Australia's VC ecosystem. It is being driven by global economics in combination with the unique youth and success of the Australian market.**

Secondaries processes have become increasingly common over recent years. For founders and employees, life is comparatively expensive right now, and there are mortgages to fund and bills to pay. Family offices are reweighting, and for angel investors, it's a great time to recycle gains into the next wave of promising startups. These secondary processes have been relatively ad hoc to date, but with the maturation of local VC, there is good reason to believe liquidity will quickly become a permanent fixture on Australia's landscape.

Australia's VC ecosystem arguably only really got started in 2013 - we're just 10 years in, and that also happens to be the life of most VC funds. So here we are - the first wave of early vintages are at term or approaching it - and that is precisely when managers usually seek liquidity for their investors.

But in this market, their investors are extra thirsty for liquidity. The reasons are complex but can more-or-less be traced back to the

macroeconomics coming out of the financial crisis 15 or so years ago.

Since the collapse of Lehman Brothers in 2008, the world has been printing tonnes of cash and interest rates have rapidly fallen. As rates fell, capital allocators needed to increase their portfolio allocations up the risk curve in asset classes like venture capital which increased the market size.

As interest rates creep back up, capital allocated into VC is now growing at a slower, more sustainable rate. There are now more VCs chasing fewer available dollars for their next fund - and allocators are prioritising the managers who have demonstrated they can exit venture positions and return capital along the way. That's where liquidity comes in.

Any manager who can engineer liquidity in their portfolio and make distributions back to their investors has a much better chance of attracting future capital. Walk into any VC in the US or Europe, and liquidity is understandably the topic du jour.

In the local market, liquidity demand is being driven by these macroeconomics plus the unique timing of the first wave of successful local VC funds coming to the end of their life. Clearly, solving the market liquidity problem doesn't happen overnight. It takes time and skill to exit positions in private companies, particularly in this market.

To date, the sell side of VC has not been a feature of Australia's ecosystem, probably because there were limited incentives for this in a bull market. I think we'll now start to see this change.

Year in, year out, the successful VC funds will look to realise profits on their older vintages and a proportion of those profits will probably be recycled into new funds which in turn will power the new wave of emerging companies. A cycle is about to start to take shape, and liquidity will be in permanent demand.



**Ian Beatty**

Managing Partner  
Second Quarter

## INVESTOR INSIGHT

# Secondaries and continuation vehicles

**In the Australian market, 2023 saw the retreat of several multinational VCs, with a few large offshore fund managers more active in the later stage and growth market. Companies generating ~US\$50M in revenue, however, continue to receive active inbound enquiries from offshore investors, particularly if they fit strong growth thematics.**

This is also reflected in the healthcare and biotechnology sectors for companies with at least Phase II data (or Phase I data for oncology assets).

We believe that up to 50% of companies in some Australian fund portfolios will come to market in 2024. We also know that the market has right-sized, valuation expectations between investors and entrepreneurs have converged and many companies have worked hard to improve efficiency and reach breakeven or profitability after the largesse of 2021.

For funds, particularly those approaching end-of-fund life,

providing liquidity options for investors and ensuring that we can exit our fund positions, is critical. As one of the first of the new-generation Australian VC funds, this is a key focus for us.

Direct secondaries into large growth rounds and continuation vehicles provide exit mechanisms for venture capital managers. While secondaries generally attract discounts, partly because of uncertainty around pricing and new investors looking for a benefit at time of investment, high-quality Australian companies are well-valued by overseas investors, and competitive tension in a deal can minimise discounts.

This is a method we pursued most recently via Employment Hero, by aligning the highly competitive \$263M financing round led by TCV with the establishment of our fund continuation vehicle. This TCV round set the price and level of secondary discount for Employment Hero, which we paralleled in our own vehicle.

Secondaries of this nature provide an opportunity for a return of capital alongside the option to continue the

journey with portfolio companies generating world-class performance. Where pricing of a secondary vehicle cannot be set alongside a direct investment into the specific portfolio company, funds may decide to use offshore advisors, valuation experts or independent investors to price assets on an arms-length basis.

Secondaries form a major part of global market fund transactions. At this stage, they are less common in Australia, however they are an important evolution for the local ecosystem. Given that we are only just seeing greenshoots from the IPO market, we expect to see far greater activity and creativity around secondaries in 2024 to facilitate returns of capital.



**Dr Michelle Deaker**

Founding Partner & Managing Director  
OneVentures

## INVESTOR INSIGHT

# The need for more liquidity

## In 1996, Rod Tidwell told Jerry Maguire to “Show Me the Money”

Whilst the investing environment is strong (aka 2020, 2021, 2022), everyone is willing to add to investments and see paper wealth grow. This all changed in 2023 when demand for liquidity became acutely important. Investors are happy to see paper wealth rise over the longer term, but their desire for cash back remains elevated today, and this thematic will remain beyond 2024.

As mid-late-stage technology investors, we are constantly convincing (/agitating) Founders, CEOs and their Board’s for an investment outcome. We have held some investments for less than 3 months, and some we hold are as old as the fund at 7 years today. As we see it, there are a few ways to seek an outcome.

Not all outcomes go to plan and often don’t even relate to your marquee’s best/largest investments. The key is to sell when you can, not when you have to. That said, we can be a forever investor as an asset moves from private hands into the public markets.

As we at Alium Capital see it, there are a few ways to consider liquidity.

**Fatigue exit.** As we engage in due diligence on a potential investment, we make it very clear about the outcome and timing of that investment. Inevitably, things change with business – a pivot, management change, missed forecasts etc. If we feel an investment has steered away from an outcome we expected, we seek to exit.

The easiest is often to sell back to someone on the cap table, at entry price or a discount. Alternatively, happily hire an Adviser and pay their fee to find an investor that can take your stake. Investing is often about opportunity cost: can I use this capital elsewhere to generate a better return?

**Tactical exit.** If a business is doing well and is in a favourable space, exit even though you can be greedy for a better price. During the 2020-2021 period, Fintech was the rage. Anything that resembled AfterPay or was a non-bank lender was in demand.

It is during these times that strategic investors are willing to acqui-hire or prefer the buy-vs-build approach.

It can be romantic to stay the course, but we suggest selling when you can – hit the bid!

**Optimal exit.** Alium Capital’s preferred outcome for an exit is to seek an IPO. Since inception, we have had 20+ assets

go public on the ASX, Nasdaq and other markets.

This is often not an outcome for many assets, but for the right asset and motivated management team this is a blissful outcome. It comes with various hurdles and headaches – preparedness, budgeting/forecasting, and compliance – but once you are public, the ability to raise further capital and grow wealth can be enormous.

We don’t advocate all companies list – far too many small and sub-optimal business model assets list, and often with anaemic revenue. We don’t advocate all companies list – far too many small and sub-optimal business model assets list, and often with anemic revenue.

The reality is that the largest and most successful technology assets go public, and hence, we believe this is often the optimal outcome. Remember, Microsoft listed in 1986 with a \$700 million market cap which today has grown to almost \$3 trillion. Patience creates Value.

**Raj Gupta**Partner  
Alium Capital

# 03

## The State of the Gender Equity Gap

The funding landscape for female founders continues to present a complex picture, with outcomes that are, at best, mixed and, at worst, disappointing.

Although 2023 saw an increase in both the proportion of total funding received by female founders and their participation in deals, the growth in funding is largely attributable to a few large-scale deals. Meanwhile, the rise in deal participation is predominantly due to a surge in smaller Pre-Seed and Seed funding rounds.

The investment community is cognisant of the need for change, however, the discussions and initiatives by some have yet to translate into the substantial results many want to achieve.



# Five Things to Know

1

## Deal and funding participation inches forward

The landscape for female founders showed signs of improvement with increased participation in investment deals. Female and mixed-gender founding teams saw a rise in their share of the total capital allocated, recovering from previous lows in 2022.

Despite this positive trend, the actual dollar amount secured by female founders remained lower than in 2021, a reflection of the significant fall in investment made across the entire sector.

2

## Participation in large deals holding back funding targets

A stark underrepresentation of all-female founding teams exists in large funding rounds. Since 2019, these teams have completed a minimal number of large deals, which has driven the severe imbalance in the distribution of funding.

While important, increased funding at the Pre-Seed and Seed rounds will not meaningfully move the needle for total funding flowing to female founders.

3

## Most active investors increase their investment

There was an improvement in investment in female-founded startups by Australia's top investors.

Among Australian investors who completed at least two investments in 2023, most funded at least one female or mixed-gender founding team. Seven of these investors made over three investments in these teams, another seven made two investments, and the remaining 18 made one investment each.

4

## Lots of talk does not result in a tangible change in outcomes

The increased advocacy and awareness around gender equality in the venture capital ecosystem has not been matched by tangible funding outcomes for female founders.

Structural barriers that impede women's access to capital persist. This disconnect between the rhetoric of inclusivity and the reality of funding practices underscores the need for a more concerted effort to address the deep-rooted biases and inequalities within the venture capital sector.

5

## Female founders enter 2024 with confidence in their ability to raise

Heading into 2024, surveyed female founders show a sense of confidence in their ability to secure funding. This optimism marks a positive shift in sentiment from prior years.

Despite this, a substantial gap still remains over how supported male and female founders by the broader Australian startup ecosystem, and the number of funding options available to them as founders.

# Positive bounce back from a bad 2022

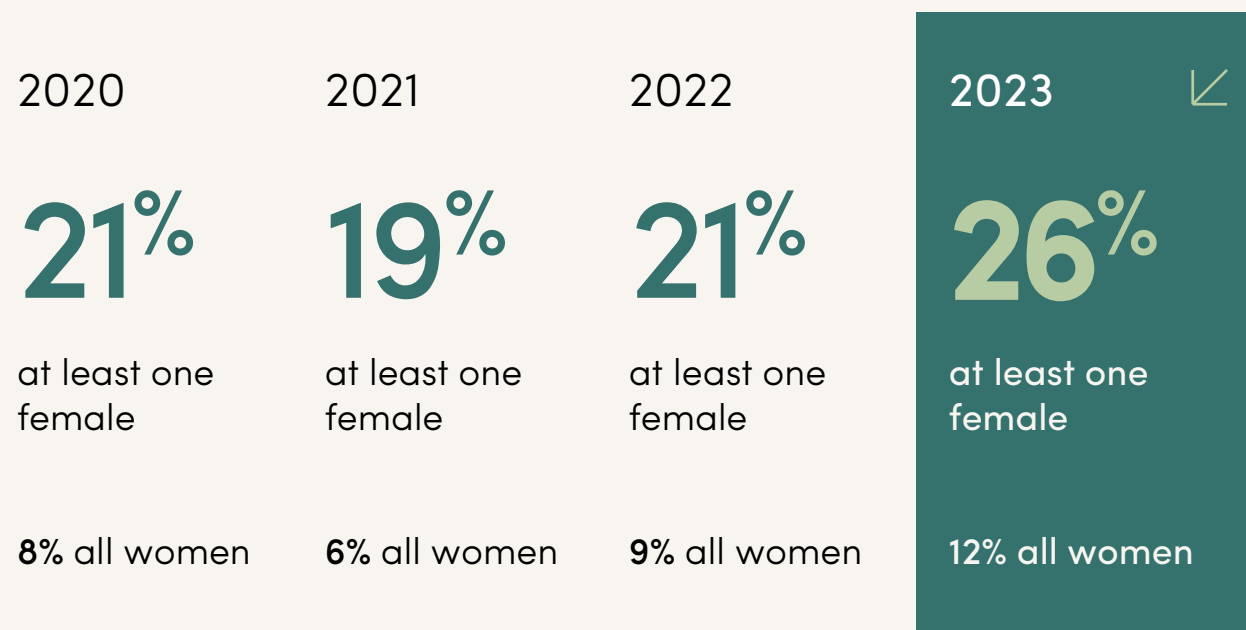
But mixed results indicate that achieving funding equality remains a distant goal.

In 2023, the proportion of investor capital allocated to mixed-gender founding teams recovered from its lowest point in recent years, reaching 18%. The share for all-female founding teams also rose, moving from 2% to 4%. However, due to the significant decrease in overall funding within the ecosystem in 2023, the total dollar amount received by female founders was substantially lower than that of 2021.

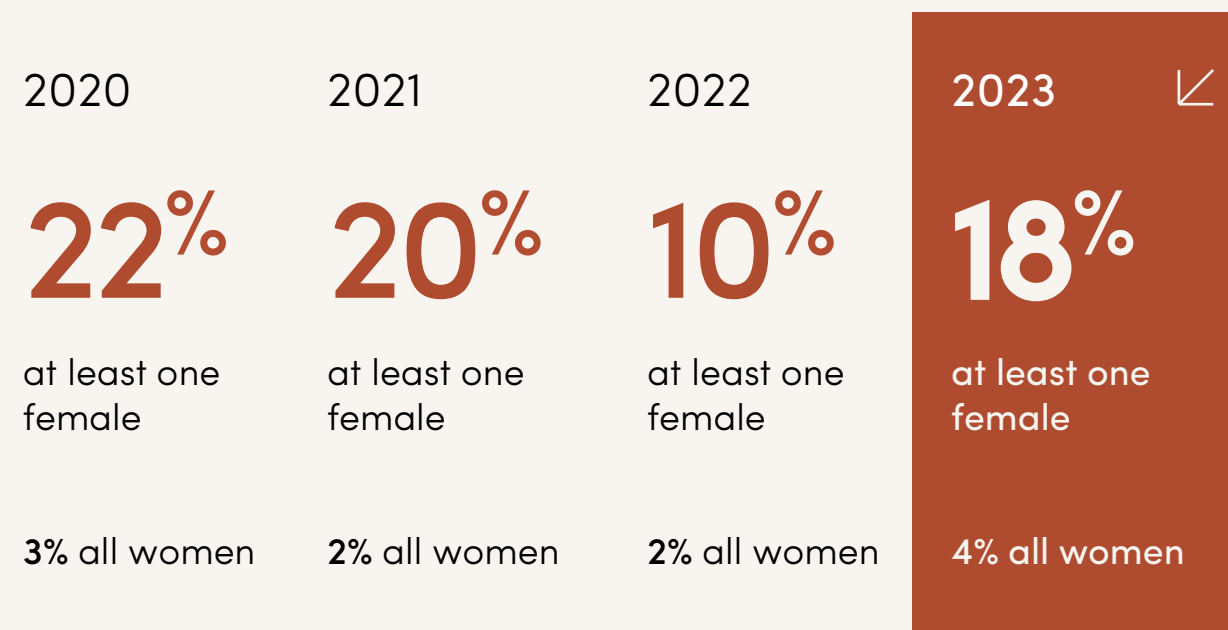
In terms of the number of deals, the outcomes were more positive. Mixed-gender and all-female founding teams participated in deals at the highest rate seen in five years.

The discrepancy between funding volume and deal count is attributable to female founders securing substantial traction in the later funding stages, which typically involve larger capital amounts. Additionally, female-led startups, on average, raise less capital than male-only-led companies at all stages of funding.

## Deals that included a female-founded startup



## Total capital invested in female-founded startups



Promoting diversity alone does not make an ecosystem of inclusion and equity. As an industry, we ask founders and investors to be bold and think differently – yet too often we ourselves fall short.

Bolder actors and actions are needed. Choose to work with and invest in people who don't look like you and don't think like you. Lean into the discomfort as breaking down barriers is just the first step. We must establish a systematic and business-led approach to opening doors and leaving them open.

Underrecognised players cannot remain merely characters in other more established narratives; they must have the opportunity to become authors of their own.



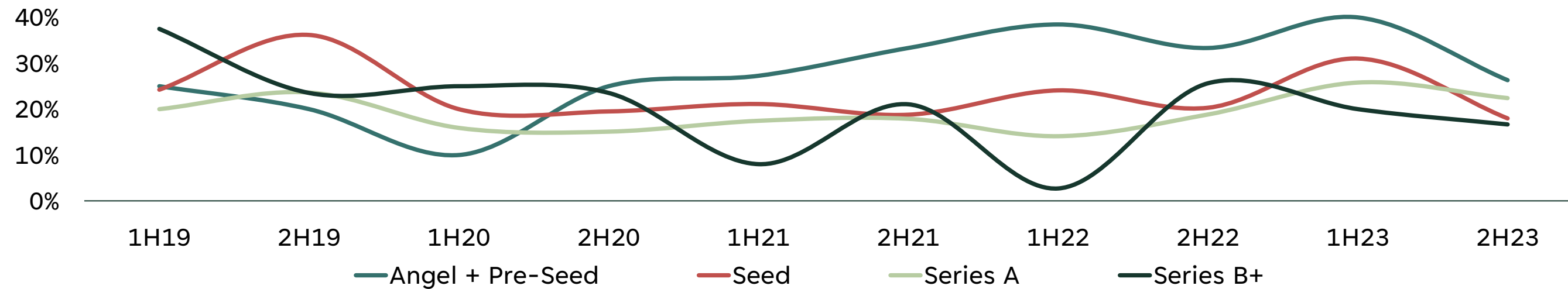
**Emily Rich**  
General Partner  
M8 Ventures

# Female founder deal participation

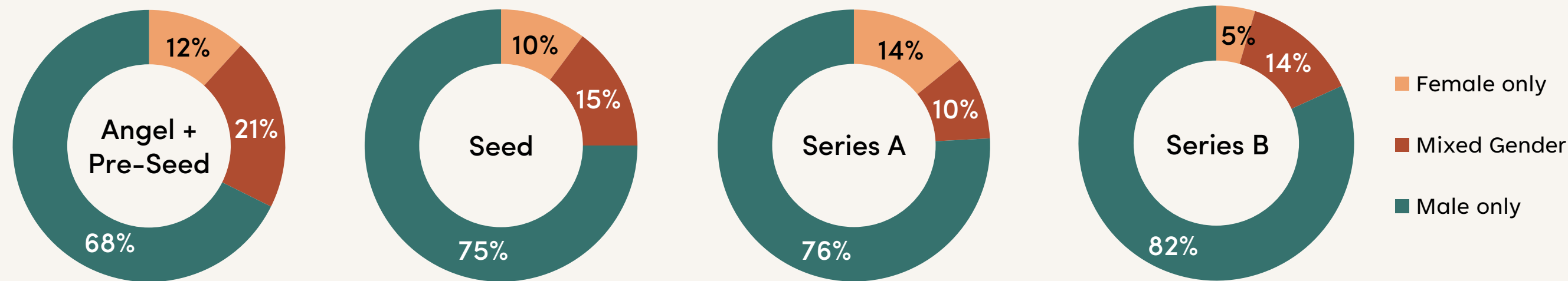
In the first half of 2023, the deal count share rose to its highest level in five years. However, this momentum declined in the latter half of the year.

As female founders progressed through the funding stages, their participation in deals decreased. On a deal-by-deal basis, female founders typically raised less capital than their male peers at all stages of funding.

Share of deals by teams with at least one female founder



2023 share of deals by teams with at least one female founder



Median deal size by gender

2023

**\$3.0M**

All male

**\$1.0M**

Mixed gender

**\$0.7M**

All female

2022

**\$6.0M**

All male

**\$3.0M**

Mixed gender

**\$1.6M**

All female

2021

**\$5.0M**

All male

**\$2.9M**

Mixed gender

**\$2.5M**

All female

2020

**\$2.5M**

All male

**\$0.6M**

Mixed gender

**\$0.7M**

All female



The state of female funding remains a complex challenge. While progress has been made in raising awareness about the gender funding gap, women still face substantial obstacles in accessing investment capital. As 2024 gets underway, I believe, there are several factors converging that will help pave the way to a more equitable landscape for female founders.

- 1. Advocacy and awareness:** Influential voices within the investment community are advocating for gender equality. Increased awareness is pushing for change at both the investor and startup levels.
- 2. Media coverage:** Increased media coverage is shedding much-needed light on the current VC landscape and helping to increase accountability for VCs.
- 3. Data-driven decisions:** There is a rise in specific investor platforms and tools enabling a data and evidence-based approach to assessing investment opportunities and helping to combat biases.
- 4. Policy and regulatory Support:** With increased media coverage, policymakers and regulators are paying closer attention to VC and working to create transparent reporting, accountability, and enablement measures.
- 5. Gender lens investing:** Specialised funds and gender lens investment mandates are on the rise as well as initiatives dedicated to supporting female founders.
- 6. Evolving investor landscape:** Non-traditional investors, including impact-driven investors, family office groups, corporates, super funds and sovereign wealth funds, are increasingly participating in VC deals. This diversification of funding sources, I believe, will help reshape the investment landscape and create a more equitable distribution of capital.



**Tracey Warren**

CEO & Founding Partner  
F5 Collective



Tackling upstream issues like talent pipelines is important, but I think we also need to keep being hard on our biases when it comes to which founders get the 'benefit of the doubt' in fundraising conversations.

Especially at the early stages, how you evaluate the strength of a team really matters i.e. who you say "fund them and they'll figure it out" about, versus who you tell to come back with ever more traction, customers, revenue and proof points.

Many investors pride themselves on the strength of their 'sixth sense' for great founders, but if that 'tingle in the gut' is pattern-matching to the style and characteristics of founders you've seen before, you'll keep picking the same winners (and losers).

The data tells us this happens in practice too – for example, on gender, where female founders are asked more preventative questions while male founders are asked more promotional ones



**Lucy Wark**

Co-Founder – Normal, Fuzzy  
Vinemaker – Grapevine



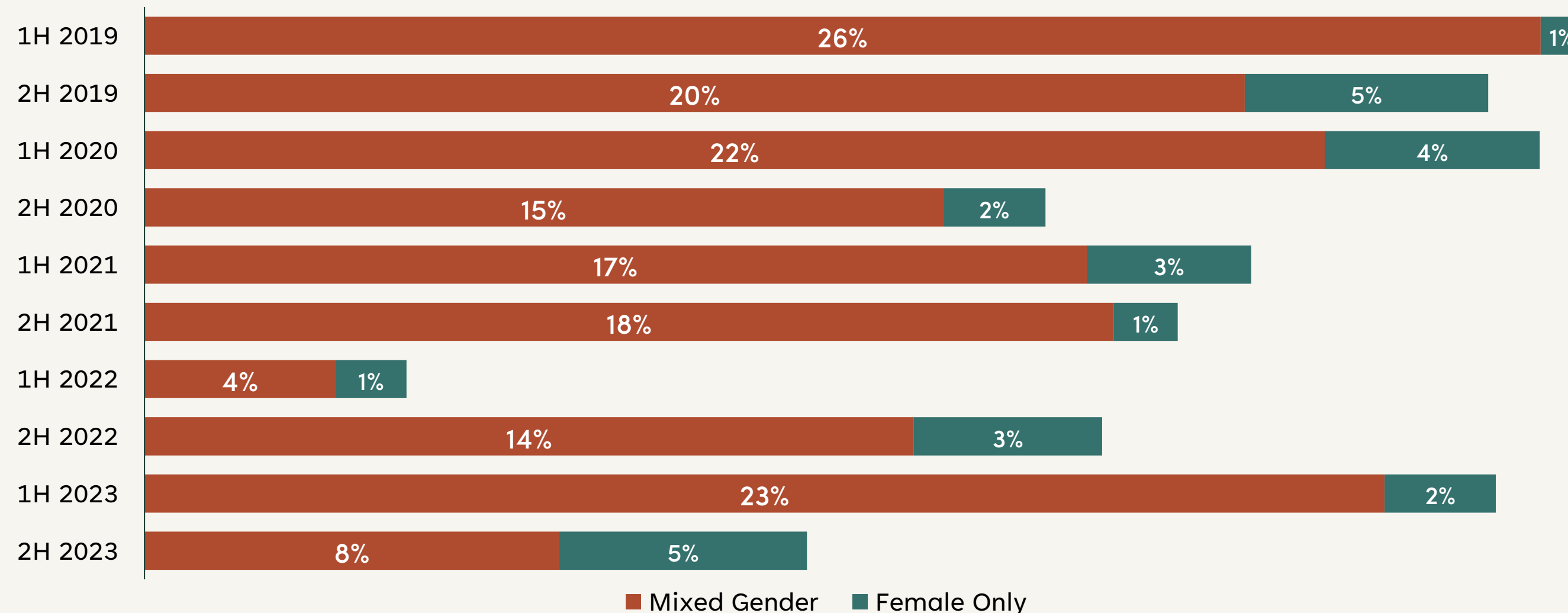
# Limited all-female representation in large deals

The primary factor behind the disparity in funding outcomes between all-female and mixed-gender founding teams is the scarcity of large-scale deals secured by all-female teams.

Since 2019, all-female founding teams have only completed three \$50M+ funding rounds and seven \$20M+ rounds. These figures represent just 2.5% of all \$50M+ rounds and 2.1% of \$20M+ rounds during this period. In contrast, teams with at least one female founder accounted for 22% of \$50M+ raises and 14.8% of \$20M+ raises.

Simple arithmetic tells us that without securing larger funding rounds, the share of total capital received by all-female teams from investors is unlikely to see a significant increase. Pre-seed, Seed, and Series-A rounds, while important, are insufficient to substantially alter the overall capital distribution.

Share of total capital raised by female founders



Our research reveals that one-third of Victorian startups now have at least one woman founder, up from 20% in 2020.

However, the figure is still outpaced by the growth of male-only firms, suggesting further support is needed to support women to lead startups.

LaunchVic has funded a range of initiatives designed to pump prime the sector with the next wave of women entrepreneurs and is ensuring through the Alice Anderson Fund that they receive support for early-stage investment, but access to later-stage capital for women-led startups remains an issue.



**Kate Cornick**  
Chief Executive Officer  
LaunchVic

## PARTNER INSIGHT

# The persistent gender investment gap in Australian innovation

**When it comes to the funding and backing of women in Australia's startup ecosystem, the pace of change remains glacial. While there are pockets of light, the persistent and significant gender gap in investment highlights the need for greater efforts to meaningfully shift the status quo.**

There is unequivocal evidence that women-led ventures as a general cohort deliver better returns – both for investors and for society – and diverse teams present the ultimate investment alpha. Yet this clear case for investment has failed to stimulate a substantial shift in the flows of capital, with all-male teams continuing to dominate investment portfolios. This is a massive missed opportunity for Australia's economic future, and for harnessing the potential of women to drive growth in our nation's most dynamic industries.

It is not just a matter of numbers. Women's access to capital is constrained by complex and nuanced barriers, stemming from deep structural and cultural inequality that permeates the funding landscape. From the impacts of unconscious bias, pattern matching, power imbalances and gender stereotyping, to experiences of sexual harassment, outright discrimination and abuse; women face an uphill battle from

idea to scale. In a tight investment market, women face even greater obstacles on their path to growth. In such periods of uncertainty, humans tend to retreat to the familiar, to what has worked for them in the past and are less likely to embrace the unknown or take perceived risks. This exacerbates both the impact of affinity bias on women (where investors gravitate toward 'people like me') and the tendency of investors to assess women based on risk, while men are assessed on potential.

These barriers do not exist in isolation, but as compounding factors women founders endure throughout their startup journey, resulting in high levels of fatigue, disillusionment and burnout. The barriers play out most acutely in what is best described as 'moments that matter'; those moments that can make a woman question her decision to launch a startup, make it unsafe or untenable to raise capital, or make it so much harder to lead and successfully scale a company. It's no surprise the funding gap gets even wider for later-stage companies, given the hurdles women must overcome from day one to raise any capital at all.

To accelerate the funding and scaling of women-led startups, systemic change is required. We must move

beyond the common capacity building interventions targeted at 'fixing women' and focus our efforts on evolving the ecosystem to drive an inclusive innovation economy. Voluntary individual initiatives are a strong signal of the desire for change but will only take us so far. To achieve systematic action on the gender gap in startups, we must set new standards and explore policy and industry interventions that prioritise gender equity as a central driver of the new economy.

It's time for decisive leadership – from investors, government, institutional finance, industry, universities and entrepreneurs – to deliver lasting change and harness the vital economic stimulus of investing in women.



**Nicola Hazell**

Founder & CEO  
The Sunshine Effect

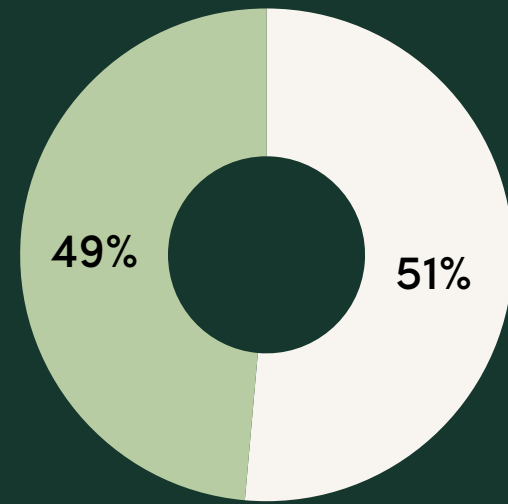
# Improved outcome in 2023 largely driven by a few

Higher than usual participation of female led startups in \$50M mega deals drove the better funding share outcome.

The five largest deals involving female founders represented over 50% of the total funding secured by female-led startups.

In aggregate, founding teams with at least one female member were involved in 27% of deals exceeding \$50M, 19% of deals over \$20M, and 19% of deals above \$10M.

Share of Funding to Female Founders



■ Top 5 Largest Raises ■ The Rest

2023 \$10M+ Female Founded Startups Funding Rounds

Loam Bio	Agriculture / Agtech	\$105M	Series B+
Secure Code Warrior	DevTech / Developer Tools	\$73M	Series B+
Silicon Quantum Computing	Hardware / Robotics / IOT	\$50M	Series A
Fleet Space Technologies	Space / Aviation / Defence	\$50M	Series B+
Constantinople	Fintech	\$32M	Seed
Rich Data Corporation	Fintech	\$28M	Series B+
SpeedX Pty Ltd	Biotech / MedTech	\$26M	Series A
Lyka Pet Food	Consumer Product (non Food / Bev)	\$25M	Series B+
Eden Brew	Food / Beverage	\$24M	Series A
Rumin8	Climate Tech / CleanTech	\$12M	Seed
SwarmFarm Robotics	Hardware / Robotics / IOT	\$12M	Series A
Planet Protector Packaging	Climate Tech / CleanTech	\$12M	Series B+
Cauldron	Agriculture / Agtech	\$11M	Seed
Goterra	Climate Tech / CleanTech	\$10M	Series A
Paypa Plane	Fintech	\$10M	Series A
MadeComfy	Marketplace	\$10M	Series A

Top 5 Female Founded Startups Funding Rounds



All Other Female Founded Startups



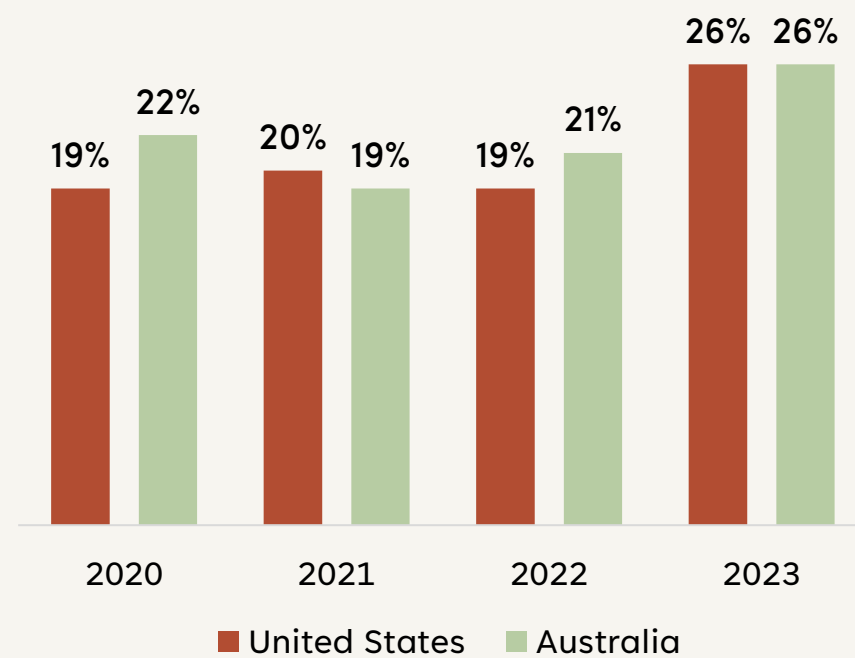
# A global problem remains

## Australia sees similar outcomes for female founders in the United States.

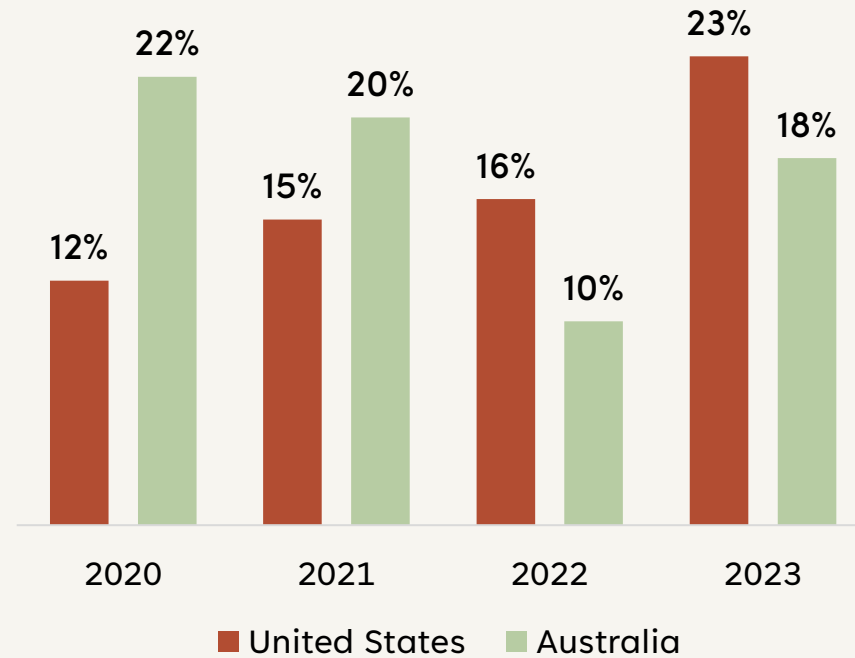
Venture capital funding flowing to female founders continues to be limited globally. In the US, 2023 saw the highest recorded share of venture capital for female co-founded companies, reaching 21% of the total US VC funding. However, for startups founded solely by women, this figure was just 2%, marking the lowest level since 2016.

Responses from our founder survey highlighted a significant disparity in the perceptions of male and female founders regarding the availability of funding options and the level of entrepreneurial support in Australia.

Deals involving female-only and mixed-gendered founding teams



Total capital to female-only and mixed-gendered founding teams



Note: United States data comes from Crunchbase and Pitchbook reporting

### FOUNDER SURVEY INSIGHT

**9%** **75%**

Male founders Female founders

Believe their gender has impacted their ability to raise?  
(vs Males 14% and Females 83% in 2022)

**57%** **26%**

Male founders Female founders

Feel supported by the "Wider Australian Entrepreneurial Community and Startup Ecosystem"  
(vs Males 26% and Females 33% in 2022)

**26%** **14%**

Male founders Female founders

Agree there are "Many funding options available for Australian startups"  
(vs Males 28% and Females 5% in 2022)

**67%** **51%**

Male founders Female founders

Felt supported by their investor(s) and could rely on them for more than just capital  
(vs Males 50% in Females 33% 2022)

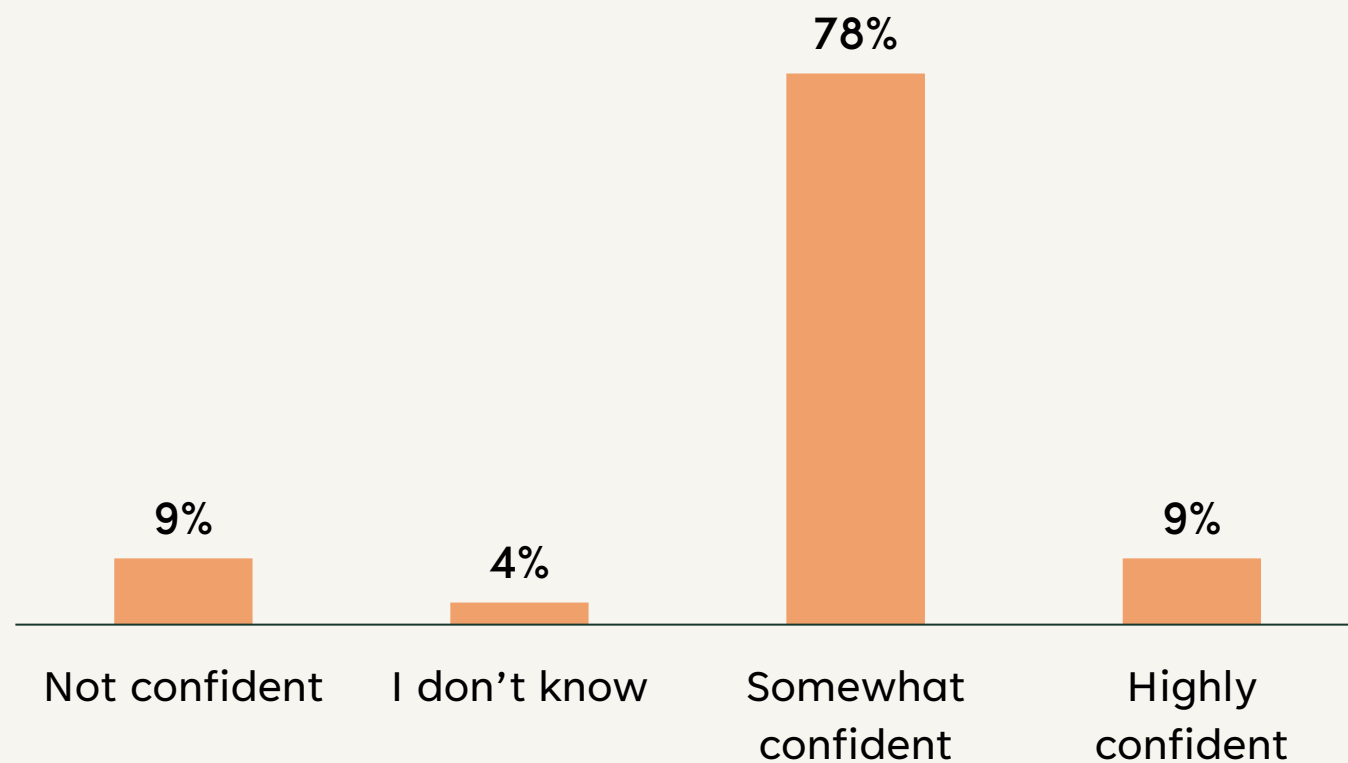
# Most active investors lift investment from low base

There was a noticeable improvement in funding outcomes for female founders in 2023 vs 2022, although there's still considerable room for improvement.

Among Australian investors who completed at least two investments in 2023, most funded at least one female or mixed-gender founding team. Excluding accelerator programs, seven investors made over three investments, another seven made two investments, and the remaining 18 made one investment each.

Despite this, female founders surveyed expressed confidence in securing their next funding round, mirroring the optimism of their male counterparts.

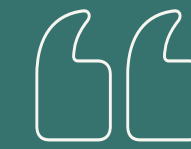
How confident are you that you will successfully raise your next funding round?



**58%** of the 50 most active VC investors invested in female-founded startups (vs 28% in 2022)

**42%** of the 50 most active investors had at least half of their deals include a female founder (vs 6 in 2022)

**82%** of surveyed female founders plan to raise capital in 2024



Despite report after report demonstrating that female founders deliver on average 35% higher ROI than all-male founded teams, the gender funding gap continues to widen and track backwards.

We need to see real change in the industry starting at the VC firm level. To-date ALIAVIA Ventures is one of only two VC firms with an investment mandate to back early-stage female tech founders in Australia, and we are based in California.

Australia, we need to do better!

Collaboration between business and government can help. California is paving the way from a government perspective in mandating annual diversity reporting, which we expect will drive positive behavior change in how investors deploy.



**Marisa Warren**  
Founder & Managing Partner  
ALIAVIA Ventures

INVESTOR INSIGHT

# The case for diversity in venture capital

The Equity Clear initiative is formalising a commitment from Australian venture capital managers to improve diversity in all forms, across the investment landscape.

This is in light of reports such as ‘Accelerating women founders’ (Deloitte/SBE), which showed female founders have only received 0.7% of allocated capital to private companies in the twelve months to 30 June 2022. Data presented in the State of Australian Startup Funding 2023 report showed that outcomes for Australian female founders dropped behind that of those in the United States in 2023.

Diversity results in more sustainable businesses and improves longer-term returns. This has been validated by research; for example, McKinsey & Company have reported “that the most diverse firms are 35% more likely to outperform the least diverse firms.”

As asset owners and allocators, we are custodians of capital for all genders, ethnicities and backgrounds, and it is important that we report to our members and stakeholders what we are doing to advocate for equitable support and access to capital.

To see a more balanced representation of the diverse societies we live in, collaboration and transparency from industry leaders is required.

Australia’s startup ecosystem is plagued by the same problem as its peers around the globe: The vast majority of venture capital funding go to male founders.

In 2022, founding teams with at least one female participated in just 21% of the deals recorded and received only 10% of the nearly \$8 billion doled out, according to the State of Australian Startup Funding 2022 report. Unlike their peers, Australian VCs decided earlier this year to hold themselves accountable for closing the gap by following new, voluntary reporting standards.

Initially, twelve firms committed to publicly disclose data on how many female-led businesses they screened, vetted, and ultimately funded. Now, over 50 firms have signed on.

The drivers of the campaign—Scale Investors co-CEO Samar McHeileh, Alberts Investment Manager Lisa Fedorenko, and Giant Leap partner Rachel Yang—say their goal is to enlist at least 100 Australian firms.

Next, they hope to set targets for the industry across ANZ and beyond.

Contributed by:



**Samar McHeileh**  
Co-CEO  
Scale Investors



**Lisa Fedorenko**  
Investment Manager  
Alberts

**Why:** To create a fairer and more honest world

**How:** Add transparency to investing. You can’t improve what you can’t measure.

**Mission:** Create equal opportunities for all founders and leaders.

**Vision:** A startup ecosystem that is committed and united in providing equal opportunity and transparency for all founders.

**Objectives:**

1. Transparency on pipeline and investing - create a baseline reporting measure success
2. Create awareness of the issues faced by underserved founders
3. Remove bias
4. Hold each other accountable

**Minimum Report Data Sharing Framework / Template:**

- Key Categories: Female / Male  
Female (mixed) / Male
- As % of \$'s invested and deals done for each fund/group
- As a % of deal due diligence. (i.e. all pipelines to include anti-portfolio + actual-portfolio)
- As a % of deals screened

**Each fund/group sets its own goals and definition of what is good**

# 04 The State of the Indigenous Entrepreneurs Experience

Although we lack comprehensive data to fully understand the experiences of Indigenous founders, evidence from organisations and funds dedicated to working with them highlights a period of rapid growth and dynamism for Indigenous entrepreneurs. This section amplifies the voices of key figures supporting and investing in these founders.

For Australia to cultivate a truly innovative entrepreneurial ecosystem, it must embrace talent from diverse backgrounds, communities, and life stages. Such inclusivity not only fosters greater opportunities across the nation but will kickstart a flywheel effect, drawing more individuals from varied backgrounds into entrepreneurship and diversifying the profiles of investors shaping the future startup landscape.

# Five Things to Know

## 1

### Indigenous entrepreneurship is evolving

The evolving landscape of Indigenous entrepreneurship represents a vital component of Australia's startup scene, merging the country's oldest cultures with modern innovation and resilience.

Key to this evolution are initiatives that play a pivotal role in equipping First Nations entrepreneurs to become investor-ready, thereby promoting a culture of innovation within these communities, and paving the way for a more inclusive economic future.

## 2

### Funding reality falls short for Indigenous entrepreneurs

Indigenous businesses face major hurdles in securing funding, largely due to bureaucratic complexities caused by government and a lack of understanding of their distinct operational needs. A shift towards economic equity and the creation of effective, inclusive funding strategies is needed.

Reconciliation and economic prosperity for Indigenous communities requires dedicated effort to tailor investment their specific needs, transitioning from superficial support to meaningful, impactful engagement.

## 3

### Challenges persist despite strong growth in entrepreneurship

Despite notable growth, Indigenous entrepreneurs continue to face significant challenges that hamper their development. These include limited access to capital, the high costs of operating in remote areas, and a pervasive need for greater cultural understanding and inclusion.

Overcoming these obstacles is essential for the continued growth of the sector, which requires targeted support and initiatives designed to bridge these gaps and foster a more equitable business environment.

## 4

### Indigenous business support organisations face unique challenges

Organisations dedicated to supporting Indigenous entrepreneurship grapple with a range of challenges, from securing adequate funding to navigating operational hurdles. These difficulties are often compounded by a lack of understanding among funders about the critical role these organisations play.

Addressing these challenges is vital, requiring a concerted effort to ensure funding decisions are culturally informed and practices are aligned with the needs of Indigenous entrepreneurs.

## 5

### Investor engagement and capacity building critical

The role of investors in supporting Indigenous entrepreneurship extends beyond merely providing capital. It involves a commitment to understanding the unique challenges faced by Indigenous businesses and a willingness to engage in capacity building.

This approach not only aids in the development of viable enterprises but also contributes to achieving broader social and economic outcomes. Investors are encouraged to adopt a long-term perspective, recognizing the value of social returns alongside financial gains.



PARTNER INSIGHT

# Reflections on “The Voice”

**While it's widely believed that significant capital is directed towards Indigenous businesses, the reality often falls short, with much of this funding entangled in bureaucratic complexities.**

This not only hinders its effective application but also reflects a limited understanding of the unique aspects of Indigenous entrepreneurship. The insistence on DGR1 status by many funding bodies, intended more for their benefit than that of Indigenous communities, further illustrates this gap in understanding.

True reconciliation is intertwined with economic reconciliation. The recent referendum marked a critical juncture, highlighting that the current approach is far from satisfactory. It's evident that achieving geographic equity in capital distribution is essential.

The referendum's outcome has, perhaps unintentionally, revealed contentment with the status quo regarding Indigenous peoples' circumstances, offering a stark insight into national perceptions. It's crucial, therefore, to align funding and investment with the actual needs articulated by Indigenous businesses and communities, including operational funds, rather than what external parties deem suitable.

**What action can we take?**

A fundamental shift in understanding is needed to foster a more inclusive and effective entrepreneurial ecosystem, especially regarding Indigenous entrepreneurship. This involves prioritising the provision of both financial resources and skills development,

without the restrictive conditions of DGR1 status.

Enhancing cultural intelligence within organisations is also key. Investing in Cultural Intelligence (CiQ) education and implementing it across organisations, especially in leadership decision-making processes, can lead to more meaningful engagement with Indigenous businesses. In turn growing the First Australian Entrepreneurial ecosystem and the lasting intergenerational prosperity that comes with that.

CiQ Education is essential to de-risking organisations seeking to employ, invest in, engage with, work with or benefit from Aboriginal and Torres Strait Islander communities. With a proven high cultural load on Indigenous people in the workplace and in business, it is incumbent on all Australian businesses to fulfil their positive obligations in line with Safe Work Australia’s Code of Practice – Managing Psychosocial Risk.

The ability to unpack cultural bias within oneself and the workplace through CiQ Education is a vital tool for all Australian organisations to have in their wheelhouse in our multicultural society. Designed to improve mental health and well-being by reducing psychosocial risk for all people with a hard lens on First Australians both in the workplace and in the community, CiQ Education enables increased productivity, efficiency and performance through common understanding.

Supporting Indigenous-owned and operated businesses directly is vital. Funding should be directed to these entities rather than

non-Indigenous organisations that claim to represent Indigenous interests without demonstrable impact.

Advocating for tax reforms to level the playing field for Indigenous startups and scale-ups is another critical step. Such reforms would provide a more equitable environment for these businesses to thrive.

Lastly, any training initiatives should be directly linked to employment opportunities, ensuring that skill development translates into tangible career paths for Indigenous individuals.

By embracing these approaches, we can work towards a more diverse, equitable, and successful entrepreneurial landscape in Australia.



**Cara Peek**  
Yawuru/Bunuba  
female from Rubibi

Signatory to the Uluru Statement

Chief Executive Officer  
The Cultural Intelligence Project

## PARTNER INSIGHT

# Empowering First Nations Entrepreneurship: Evolution and Innovation from the oldest culture

**In Australia, First Nations entrepreneurship is vital to the startup landscape, blending cultural richness, innovation, and resilience. Government, investors, accelerators, and idea incubators are actively supporting First Nations entrepreneurs.**

At Minderoo Foundation, we support the Dream Venture Masterclass program, which addresses challenges unique to First Nations entrepreneurship, fostering diversity and contributing to a supportive ecosystem.

This program, backed by Youth:Co Lab, an initiative co-led by the United Nations Development Programme and Citi Foundations, helps First Nations entrepreneurs and business owners to become investor ready, and it promotes a culture of innovation and entrepreneurship within First Nations communities.

The 240 First Nations Alumni of the Dream Venture Program demonstrate the evolution of First Nations Entrepreneurship away from traditional industries such as art and tourism to technology. Alumni have start-ups in a breadth of industries, from capitalising on bush medicine knowledge for beauty products to creating culturally safe workplaces for First Nations Australians. Start-ups who received investment after the conclusion of the Dream Venture Program demonstrate the diversity of the Alumni – from oral care to innovative

methodologies to improve global food security.

The emergence of dedicated First Nations investment funds will lead to investment in First Nations entrepreneurs and their ideas. Despite progress, concerted efforts are still needed to bridge gaps and barriers, including data on First Nations entrepreneurship within Australia, financial inclusion, and access to capital.

### Some examples of success for First Nations Entrepreneurs in 2023 include:

- Yaali Sparkling, founded, and run by Tara Croker, a First Nations female, and her mother Mel, is creating native botanical infused sparkling water. The duo successfully pitched and secured a \$125,000 investment on Shark Tank to leverage production and distribution to grow and scale.
- Cleve McGhie of Yaali Collective (a startup focused on delivering accessible, authentic, and interactive First Nations learning resources) received seed funding at the 2023 Dream Venture Pitch Gala and used it to scale-up his venture and transition to a full-time operation.
- In 2022, Ganbu Country, an agriculture technology startup, entered the Dream Venture Masterclasses at the ideation stage. The founder of the startup, Skye Hunter, acknowledges the value, support and learnings from Dream Venture

Masterclasses that helped convert her idea into a startup. Ganbu Country has since received support from Youth Co:Lab and was one of 40 programs selected to take part in the global Youth Co:Lab Springboard program. In 2023, Skye Hunter provided the keynote address at the Youth Co:Lab entrepreneurship summit at the United Nations Development Programme headquarters in Bangkok.

The state of First Nations entrepreneurship in Australia reflects a dynamic landscape offering both challenges and opportunities. It is an exciting time for First Nations startups, where the oldest culture meets the newest technology. You don't need a university degree; you simply need an idea and a plan to put that idea into action, and the right people around you to take you forward.



### Leslie Delaforce

Gumbaynggirr/Dunghutti  
man living on Noongar Boodja

Head of Indigenous Entrepreneurship,  
Minderoo Foundation – Impact Projects

## PARTNER INSIGHT

# A nuanced approach required to support Indigenous entrepreneurs

Worthwhile Ventures is an Aboriginal led organization that assists Aboriginal entrepreneurs and their businesses to build a strong and vibrant Aboriginal business sector for their families and communities. Our WV Business Community of experienced Aboriginal and non-Aboriginal business mentors provide culturally safe guidance and timely business advice.

Working alongside Aboriginal business owners, WV accelerates growth of both them and their businesses. Some of the areas WV provides expertise are legal, IT, HR, accounting, marketing, and business planning. This model allows a wide variety of assistance giving the Aboriginal business the best chance of success.

### Opportunities

The Indigenous Procurement Policies is still the biggest opportunity for Indigenous Entrepreneurs. Unfortunately, the majority can't take advantage of it. Few will reap the rewards of IPPs without more funding in capacity building.

### Trends

The Indigenous Procurement Policies is still the biggest opportunity for Indigenous Entrepreneurs. Unfortunately, the majority can't take advantage of it. Few will reap the

rewards of IPPs without more funding in capacity building.

### Improving Support

The current system is set up for the top 10% of Indigenous people. The system hasn't changed for many years, and hence, the success of Indigenous businesses hasn't changed.

A very small number of Indigenous people that are well resourced, well educated, with good networks are taking a large amount of the increase in turnover to Indigenous businesses. There must be a far greater emphasis and funding on capacity building to increase Indigenous Entrepreneurship; otherwise, the top 10% will be the only benefactors.

### Investor's Role

It is a very big leap to take for most investors but the best thing they can do is look past the deficiencies the business may have and see with investment in capacity building and the drive of the owners that it can become a viable enterprise.

Also, allow extra time to get returns as capacity building must occur and look at the social outcomes. Investors must realise there are very few Indigenous Enterprises

that will provide significant capital returns.

Most will provide social outcomes, so they must have this as a large part of their expected returns as well as some small financial returns as their return expectation.

### Biggest Challenges

These two have been the same for 20 years:

- 1) Lack of capacity building funding; and
- 2) Access to capital.

These areas are what Worthwhile Ventures are working to address.



### Colin Gordon

Ngemba man from  
Brewarrina Country

Chief Executive Officer  
Worthwhile Ventures

## PARTNER INSIGHT

# Challenges for Indigenous entrepreneurship

The landscape of Indigenous entrepreneurship has seen substantial growth in recent years, with over 12,000 Indigenous-led businesses contributing approximately \$8.8 billion annually to the economy.

Government and corporate policies have been instrumental in this growth, especially those encouraging the procurement from Indigenous businesses. However, we need more businesses, up to 60,000 more – it would build the Indigenous sector to over \$55 billion in direct economic impact alone. Demand is not the issue when building Indigenous businesses, it's supply, the supply of emerging talent and Indigenous entrepreneurs to exploit the above opportunities.

Despite the progress, Indigenous entrepreneurs continue to face unique challenges. In regional and remote areas, barriers such as the high cost of travel, limited infrastructure, internet connectivity, and lower education levels are pronounced. These factors often lead to reduced opportunities for business development and networking. Additionally, limited access to financial products and support can hinder the growth and scalability of these businesses.

The COVID-19 pandemic has further highlighted these disparities. It showed that while there is goodwill and intent to support Indigenous businesses, what is critically needed now is concrete action and the inclusion of First Nations

people in wider societal and economic structures.

**Cultural Understanding and Inclusion:** It's important to foster an ecosystem where cultural differences are understood and valued. This includes respecting Indigenous knowledge systems and incorporating them into business practices.

**Networking and Mentorship:** Building stronger networks and mentorship opportunities can significantly help Indigenous entrepreneurs. Connection with successful business leaders and other Indigenous entrepreneurs can provide both inspiration and practical guidance.

**Educational and Training Programs:** Enhancing business education and training specifically designed for Indigenous entrepreneurs can help in bridging gaps in knowledge and skills. This includes not only business management but also digital literacy and marketing strategies.

**Policy Development and Implementation:** While existing policies have been beneficial, there's a need for continuous evaluation and adjustment and co-design of these policies with the Indigenous Business sector to ensure they meet the evolving needs of Indigenous entrepreneurs.

**Infrastructure Development:** This is not an Indigenous Entrepreneurship issue. In regional and remote areas, there is a critical need for digital connectivity, which is essential for

modern business operations.

**Access to Capital:** Indigenous entrepreneurs often find it challenging to access traditional financial instruments. There's a need for more tailored financial solutions, including grants, low-interest loans, and venture capital, that acknowledge and accommodate the unique circumstances of Indigenous businesses.

The ecosystem for Indigenous entrepreneurs in Australia has vibrant potential. By addressing the above areas, there's an opportunity not only to grow the Indigenous business sector but also to contribute significantly to Australia's broader economic and cultural fabric.



**Stephen Rutter**

Trawlwulwuy man from Tebrakunna Country

Founder  
The Scale Institute

PARTNER INSIGHT

# Support organisations also in need

**Make it Happen is a First Nations Innovation Hub and Think Tank that proudly extends its reach across Australia, harbouring global aspirations. We have established partnerships in Australia and North America, reflecting our expansive vision.**

Our mission is focused on cultivating intergenerational wealth and financial independence for First Peoples. We are dedicated to building entrepreneurial ecosystems underpinned by robust data sets that enable us to measure and enhance their success effectively.

The significance of this mission for the ecosystem cannot be overstated. It's essential that the ecosystem is nurtured by individuals who understand the cultural and lived experiences of its members and are also living examples and role models. The current approach, often dominated by external voices unfamiliar with the unique challenges of Indigenous entrepreneurship, needs to evolve.

Our ecosystem thrives when it includes culturally intelligent diverse skills, knowledge, and networks, where each member can contribute uniquely and collaboratively.

By keeping it ambitiously simple we cut through to what Indigenous entrepreneurs need to create the critical path, to their version of success, not what other people believe they should do. We operate with authentic intent bringing together subject matter experts. We tailor entrepreneurial support with innovative cross industry solutions from Esports, Ecommerce,

STEAM, Impact Measurement, Brand, Design and more.

However, as a support organisation, we face several challenges. Many funders struggle to understand the necessity of our profit-making, often pigeonholing us into a charitable status that serves their interests more than ours. This misunderstanding extends to a lack of comprehension of the Indigenous Entrepreneurship landscape and basic entrepreneurship principles, with particular disregard for the necessity of funding decisions to be culturally intelligent and funding practices to ensure geographic equity.

We also encounter issues with grant and contract management. Often, we find ourselves guiding funders' staff through processes they should be leading due to their lack of procurement skills and business acumen. This additional burden, particularly without compensation, is a significant challenge.

Moreover, there's a disconnect between funders and the realities of starting a business in remote, rural, or regional Australia, let alone an Indigenous one. Those in metropolitan areas frequently lack an understanding of these unique challenges, leading to a situation where we are educating without additional support, understanding or compensation.

First Peoples, for the most part, do not have the bank of mum and dad or seed funding, let alone economic freedom; instead, they must work at least one job, if not more, whilst growing their business on the side. So, time and capital are even more

critical for Indigenous businesses and those that seek to support them. In a world where the roots of culture intertwine with the branches of innovation, Make It Happen HQ stands as a beacon for First Nations entrepreneurs.

We envision a future where the rich tapestry of Indigenous heritage is woven seamlessly into the fabric of global entrepreneurship. Whilst Make It Happen HQ has a number of capacity partners, what it needs is funders and partners to pay it forward by moving beyond allyship to becoming accomplice partners and financial members of the Make It Happen movement.

Addressing these barriers is crucial for continuing our vital work in empowering Indigenous entrepreneurs and fostering a thriving, inclusive entrepreneurial ecosystem in Australia.



**Adele Peek**

Yawuru/Bunuba  
female from Rubibi

Founder  
Make it Happen HQ & Cultural IQ

# Other investors in Indigenous entrepreneurs

There are now many investors dedicated to supporting the work of Indigenous entrepreneurs with investment.



First Australians Capital is an Indigenous-led organisation that backs First Australians' cultural, creative and economic strength to become full, free agents in driving their own economic futures.

First Australians Capital provides a range of tailored solutions to build capacity and support the investment readiness of businesses.

## Blak Angels Investment Network

Blak Angels Investment Network is a pioneering First Nations-led initiative, established in 2023 to catalyze economic development and empowerment within Australia's First Nations communities.

With its inception in Perth, the network signifies a collaborative effort between the U.S. Consulate Perth, Minderoo's Generation One, and a collective of forward-thinking First Nations investors nationwide.



Ochre Ventures funds businesses with high growth potential and high Indigenous impact. As a for-profit fund, Ochre helps entrepreneurs and founders realise their vision by providing alternatives to traditional grants to drive business growth.

Ochre operates as a venture capital fund, with a focus on direct investment in: businesses with substantial Indigenous ownership, joint ventures with substantial Indigenous business participation, and platform companies facilitating Indigenous business at scale.



Barayamal is the world's first Indigenous accelerator and is now a world leader in First Nations entrepreneurship.

Barayamal works with other partners to help close the disparity gap between Indigenous and non-Indigenous people through technology solutions, accelerator programs, free events, a podcast, school-based education, and investing time and funding into Indigenous startups.

**Note:** The above information was sourced from publicly available sources, including the organisations website and LinkedIn pages.

# 05 The State of Angel Investing

Angel investing is becoming an increasingly vital component of a founder's fundraising journey. The emergence of new platforms that allow smaller investors to partake in venture capital-grade investment rounds, coupled with educational initiatives for newcomers, has expanded the scope of Australians able to contribute to the development of the nation's next great companies.

Angels maintained a high level of activity in 2023 and are approaching the upcoming year with cautious optimism.

05



# Five Things to Know

1

## Increasing interest from the next generation of angels

New ways for angel investors to invest with smaller cheques, like syndicates, have opened the gate for younger and lower-income angels to dive in. Angels under 40 reported the highest surge in activity from 2022 to 2023 and exhibit the most optimism as we move into 2024.

These younger investors tend to invest earlier and made more, albeit smaller, investments in 2023.

2

## Cost of living pressures holding back newer angels

Cost of living pressures and lack of time are the biggest problems facing angel investors of all genders and ages.

Despite access to deals becoming increasingly easy, angels highlighted that access to *quality* deals remains a significant struggle – a potential effect of increased competition for deals at the earliest stage.

3

## Wholesale Investor regulation changes loom large

The proposed increases to income and wealth thresholds have alarmed the angel investor community, who fear these changes will diminish the support available to companies in their nascent stages.

Alternatives that balance wealth criteria with assessments of financial literacy and risk comprehension are being suggested as more effective means of enhancing overall investor protection.

4

## It's a bet on people above all else

Both female and male angels agree that the startup team is most important when making their investment evaluation, with interest and experience in the specific challenge the startup is tackling taking second place.

Angels with startup experience invest earlier and with larger cheques, applying their nuanced understanding of risk and reward, and that success extends beyond a good idea.

5

## Cautious optimism as we enter 2024

56% of surveyed angels anticipate that their investing activity will either increase or remain constant in 2024, with Climate Tech, AI, and Healthtech sparking the most interest for the coming year.

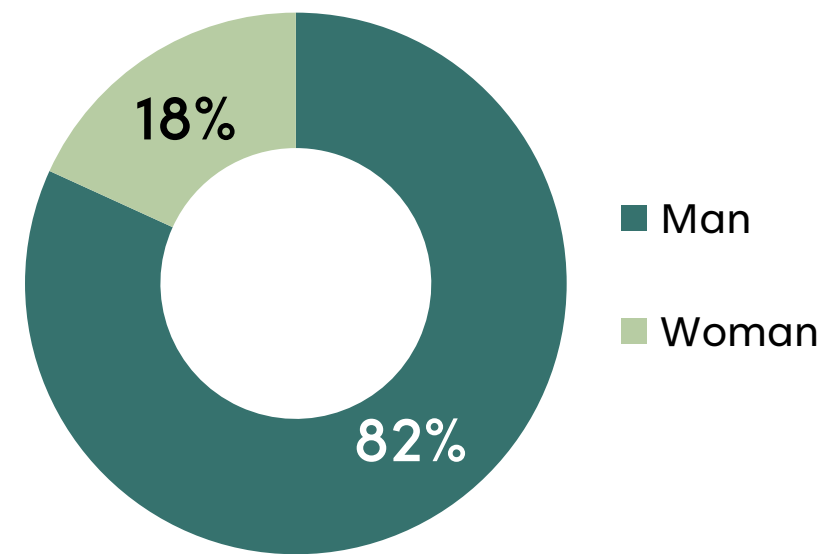
A majority now view startup valuations as fairly priced, noting that the gap between founders' expectations and investors' willingness to pay significantly narrowed throughout 2023.



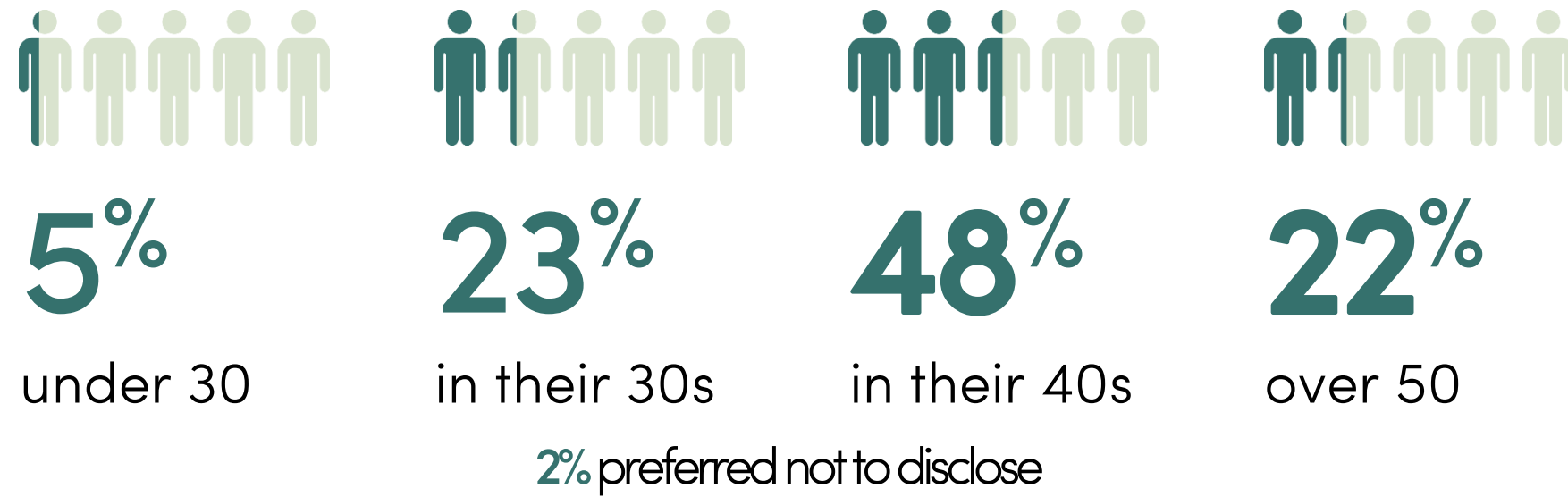
ANGEL SURVEY INSIGHTS

# Backgrounds of angels we heard from

We garnered responses to the survey from 242 angel investors throughout Australia. Distribution channels included angel networks, syndicate platforms, organisations providing angel investing education, and online communities catering to angels.



## How old are you?



In 2023, Australia's angel investing landscape underwent a recalibration, hallmarked by reduced risk appetite and smaller cheques. Investors formerly comfortable in pre-seed stages, now ascend cautiously to seed.

A shift is evident as investors wait for others to lead, resulting in a slower investment pace.

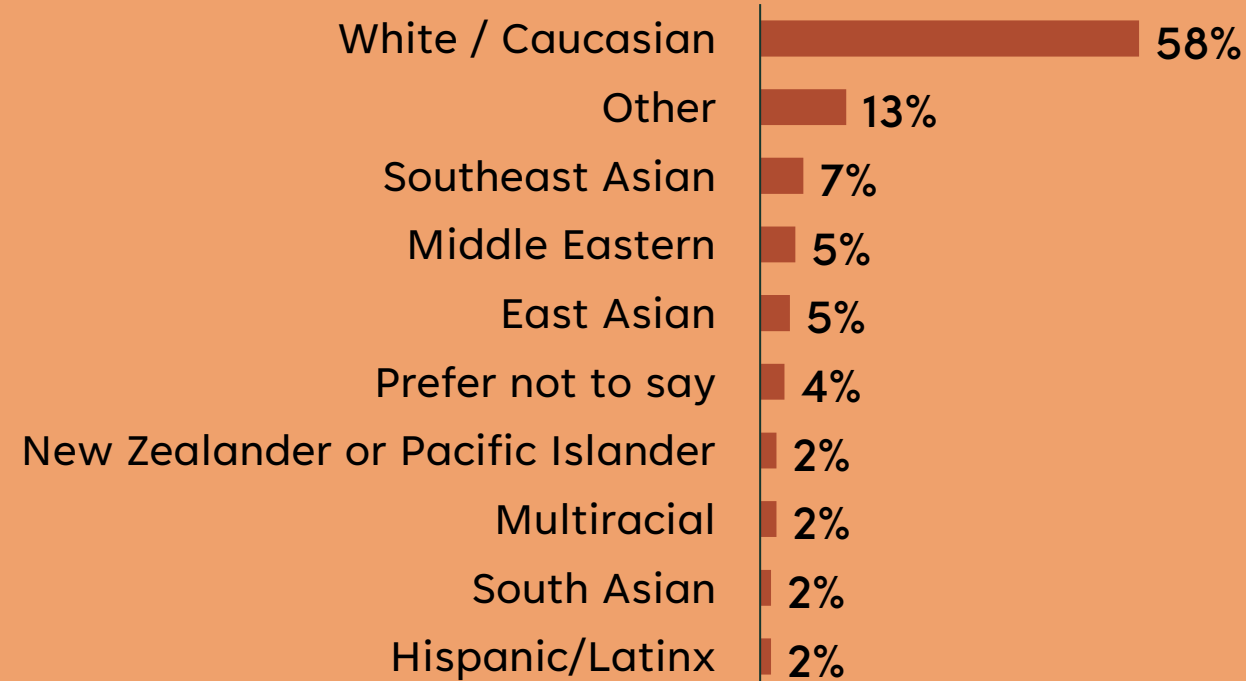
Despite challenges, ~750 new investors join the Aussie Angels platform, signalling resilience. Diverse investor participation, spurred by angel training programs, underscores Australia's long-term commitment to the startup ecosystem's evolution.



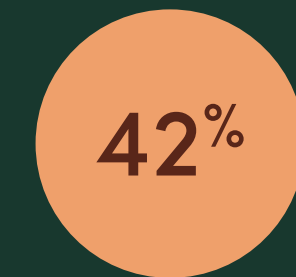
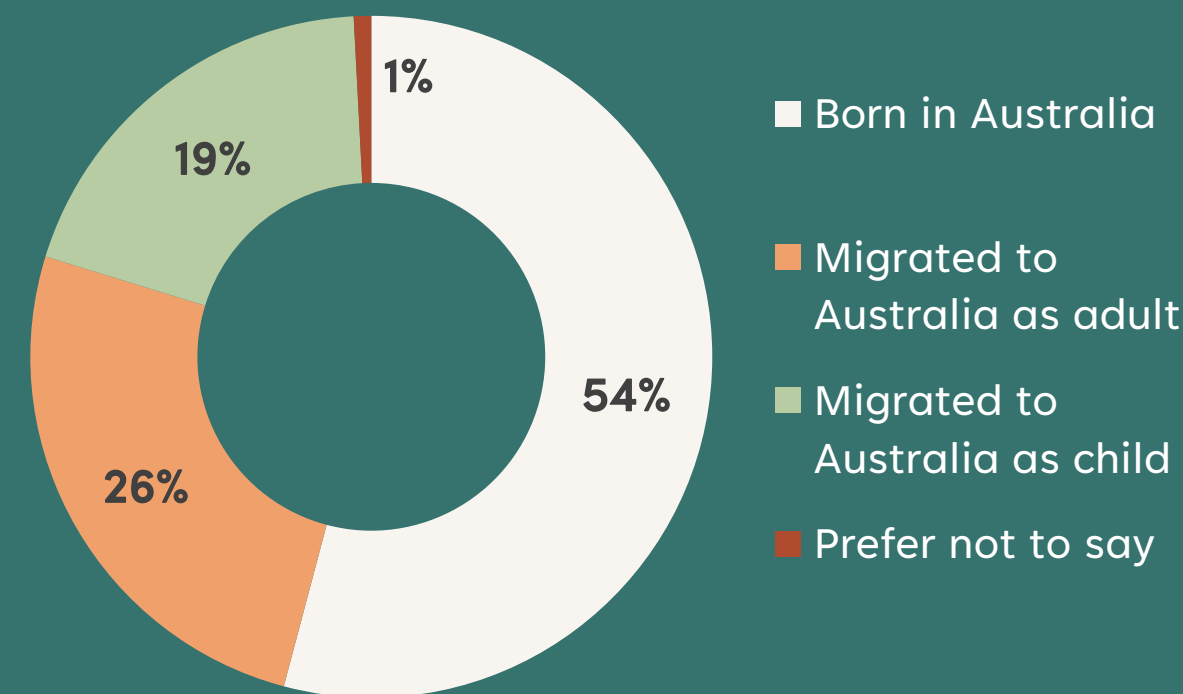
Judy Anderson-Firth

Group Chief Executive Officer  
Euphemia

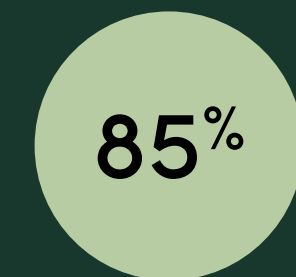
## What ethnic group do you most associate?



## What best describes your heritage?



Have a Graduate or Advanced Degree

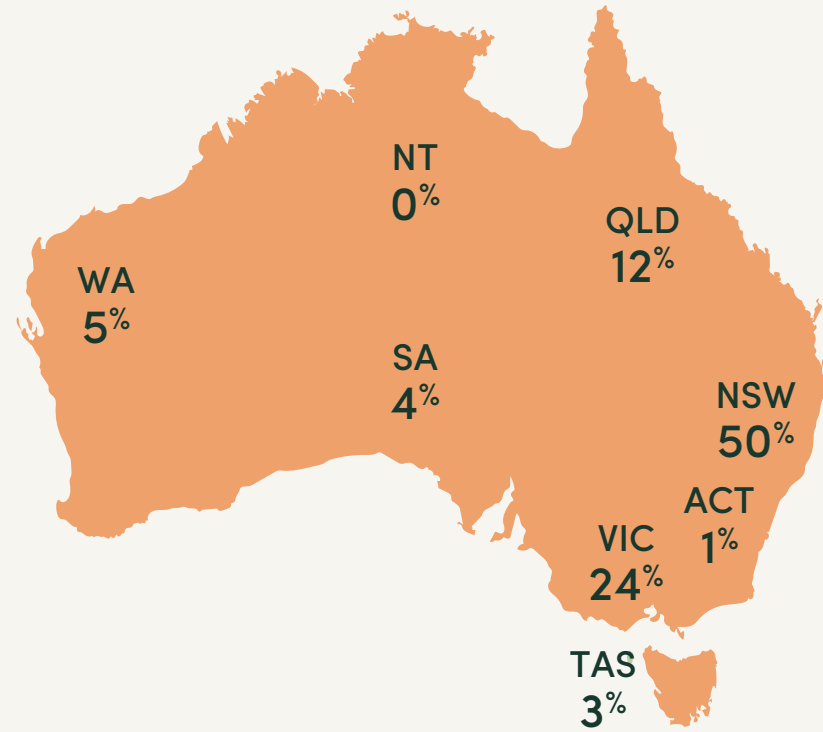


Received some level of university degree

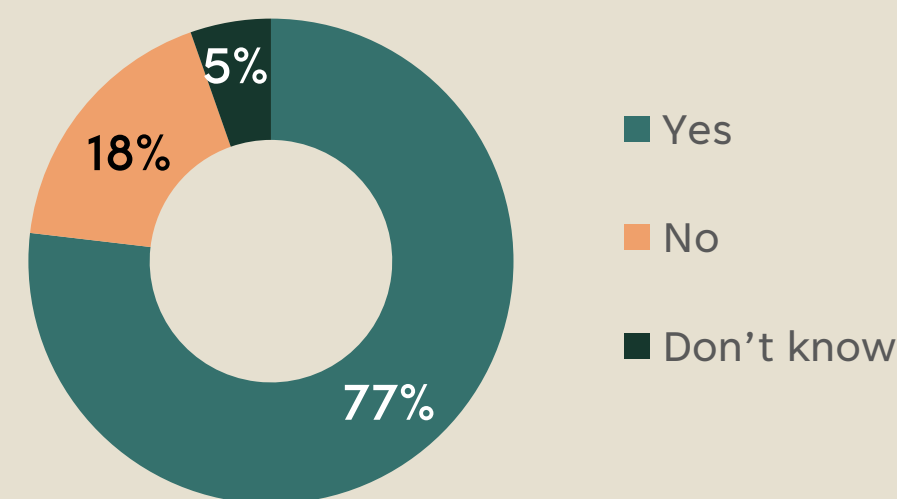
ANGEL SURVEY INSIGHTS

# Professions and locations of angels we heard from

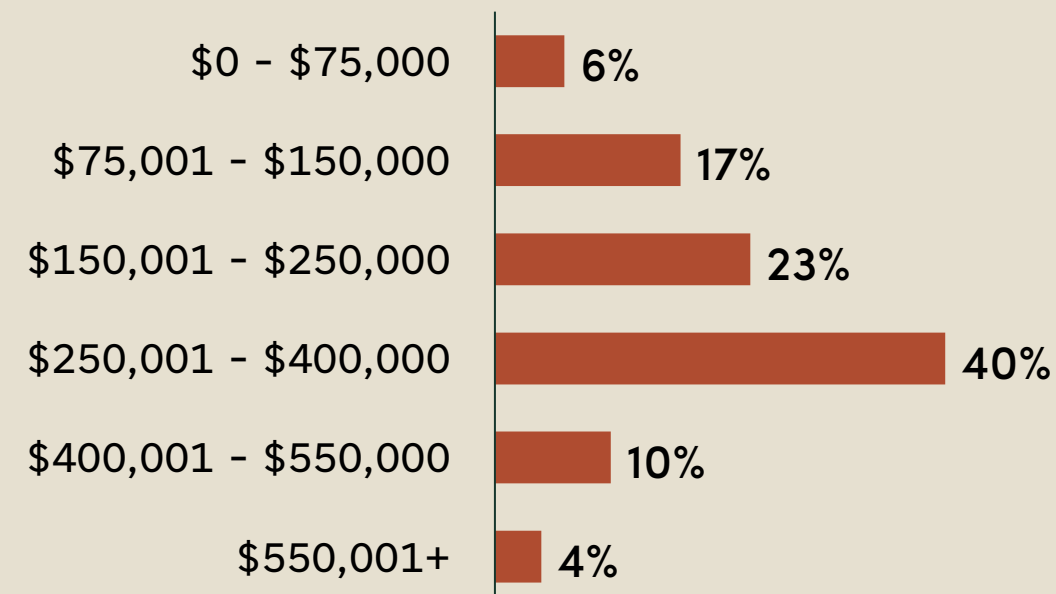
The state-by-state distribution of angel investors closely mirrored the distribution of startup funding. The predominant professions of angel investors have remained consistent with previous years, with the majority coming from Technology, Consulting, and Financial Services sectors.



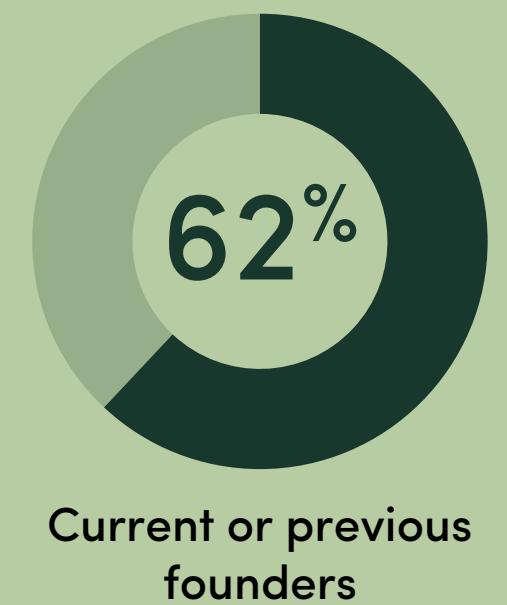
## Are you a Wholesale / Sophisticated investor?



## Annual income?



## Top Professions





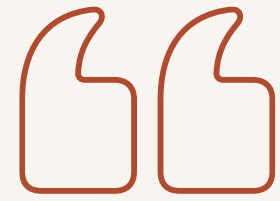
Angels are the lifeblood of the Startup Ecosystem, they're the ones who invest at the earliest stage and often with the most risk. It's wonderful to see the growth of Angel Investing in Australia. There is more education than ever before, more syndicates, more angels, more diversity, and more accessibility.

What a privilege it is to be a part of.



**John Henderson**

Partner  
Airtree



Angel investing in Australia has grown significantly in the last three years. Most excitingly, the quality of people (including founders themselves) who are entering the space and deploying meaningfully is amazing and will see positive reverberations across the ecosystem.

At the same time, we are at a critical tipping point as a country, trying to pivot from digging things out of the ground to tech now being the third largest contributing sector to Australia's GDP. It is imperative that the policy and standards we set as a country continue to foster this community.



**Cheryl Mack**

Founder  
Aussie Angels



Regrettably, the proposed changes to the Wholesale Investor test seem to take a lazy approach to updating something antiquated.

Merely raising the threshold wrongly equates wealth with sophistication, excluding those who genuinely comprehend the asset class and further widening the wealth disparity. This approach would set back the progress we've made as an ecosystem over the past decade.



**Brady Flockart**

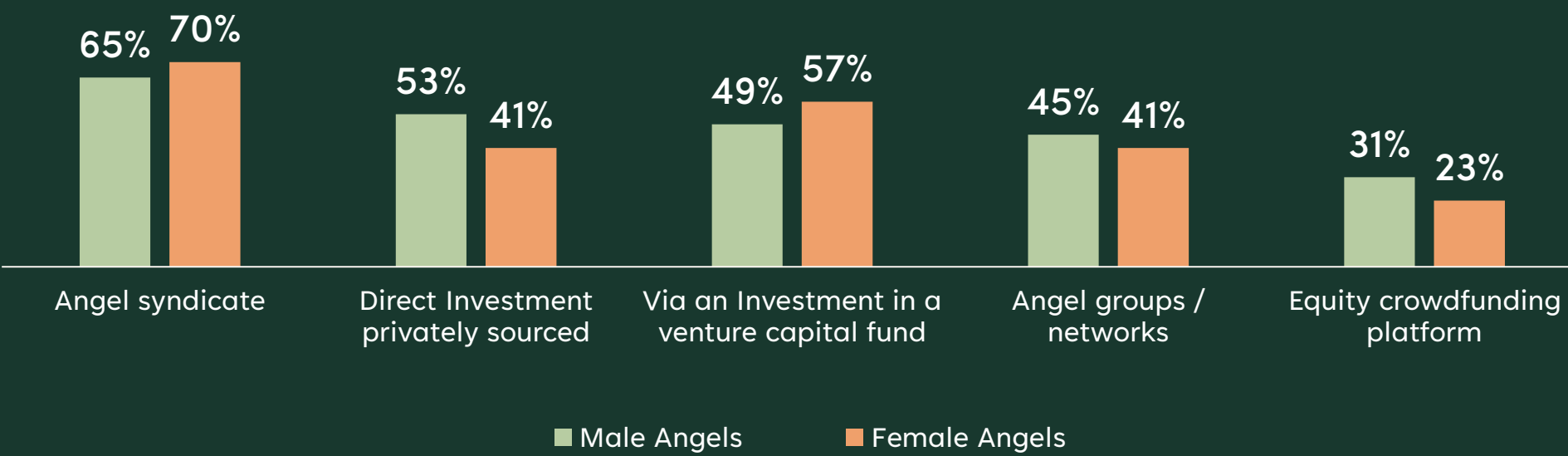
Head of Investments  
Startmate First Believers

ANGEL SURVEY INSIGHTS

# How angels are investing

Team quality and personal alignment to the sector were the major considerations for angels in 2023. Syndicates continue to grow as the preferred method for angels to access deals. Climate Tech and AI emerged as the standout sectors favoured by the angels surveyed.

In 2023, did you make an investment in a startup via any of the following channels?



What are your top considerations when investing?

Male Angels Top 5

- 1 Team
- 2 Interest in the sector/industry
- 3 Traction
- 4 Business model
- 5 Product/Technology

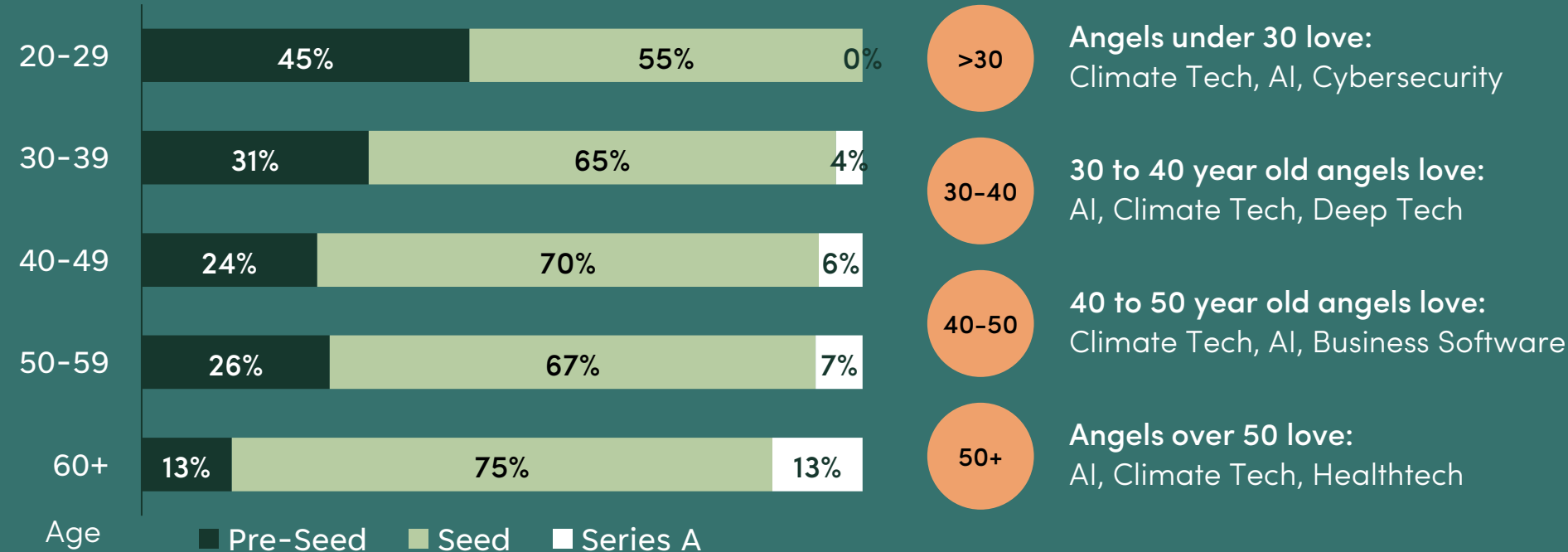
Male Angels Last: Mission

Female Angels Top 5

- 1 Team
- 2 Interest in the sector/industry
- 3 Business model
- 4 Product/Technology
- 5 Traction

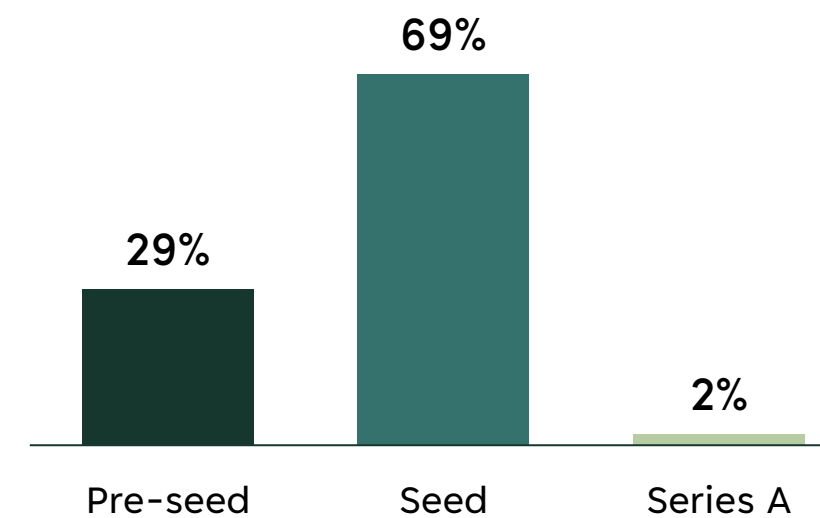
Female Angels Last: Revenue

At what investment stage do you prefer to invest?

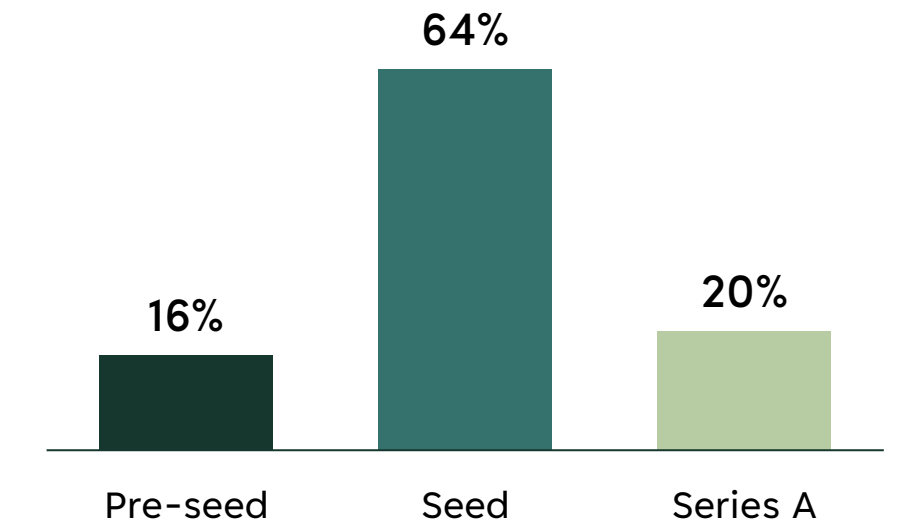


At what investment stage do you prefer to invest?

Male Angels



Female Angels

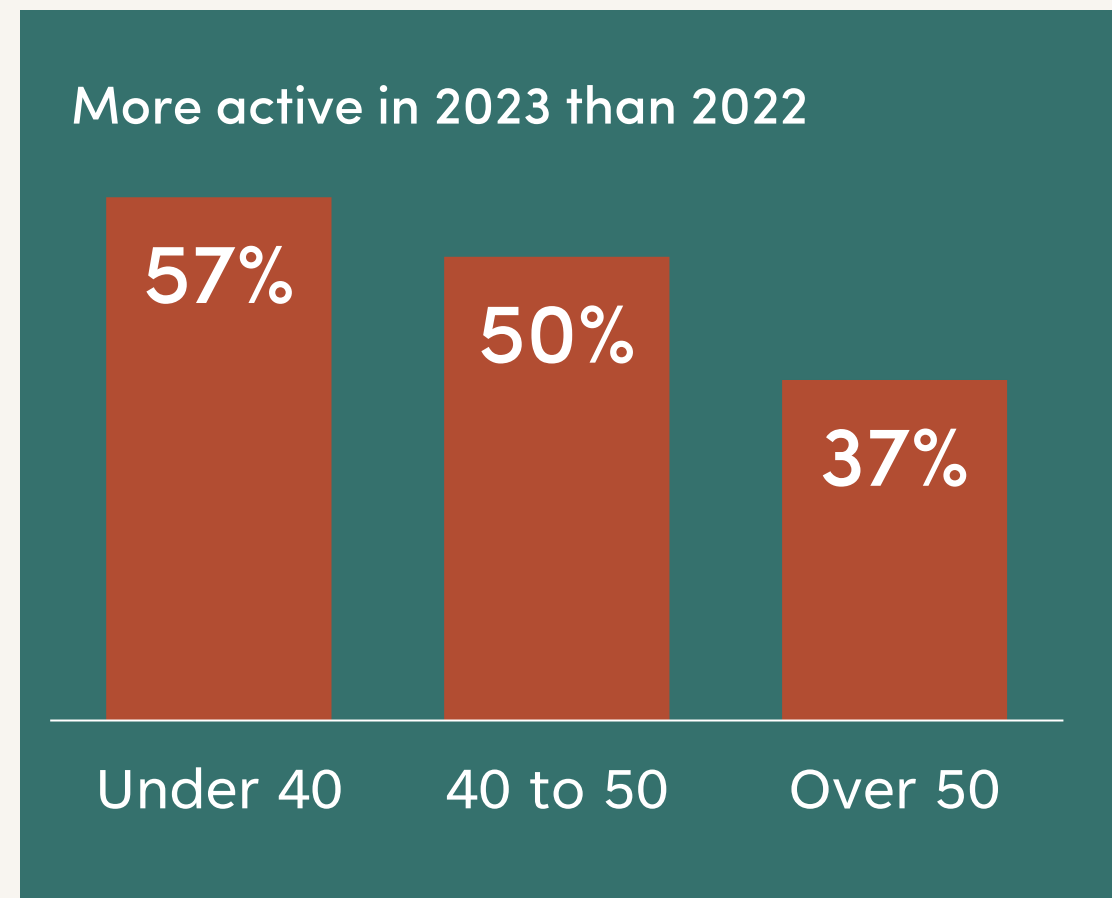


ANGEL SURVEY INSIGHTS

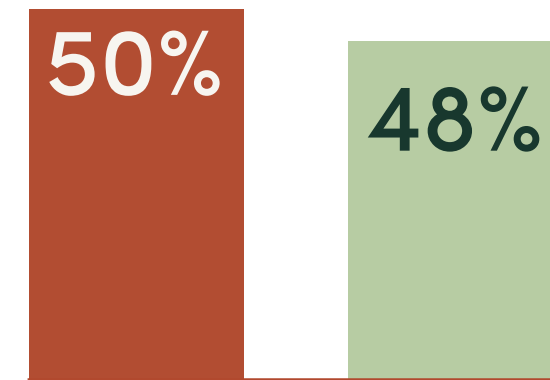
# Angel activity in 2023

The majority of angel investors surveyed either sustained or raised their investment activities throughout 2023. Notably, there was minimal variation in this trend between male and female investors, as well as between those with annual incomes above or below \$400,000.

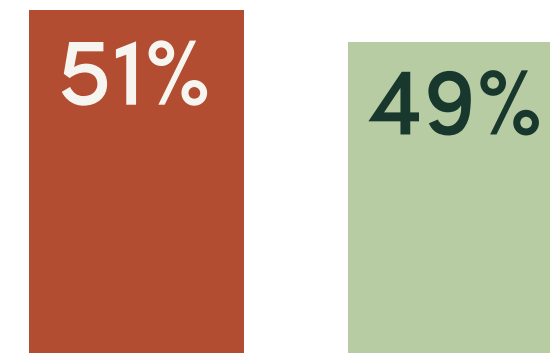
Younger angels demonstrated a more significant uptick in investment activity compared to 2022, relative to their older counterparts.



### 2023 Increased investment vs 2022



of men of women

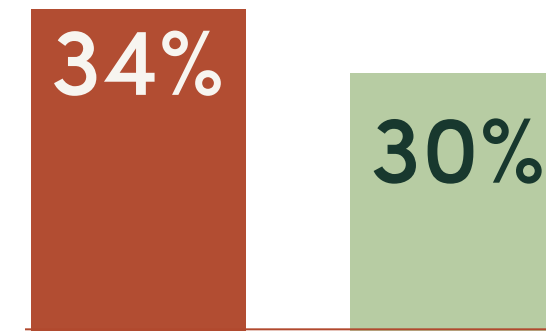


of angels earning \$400K+ of angels earning <400K

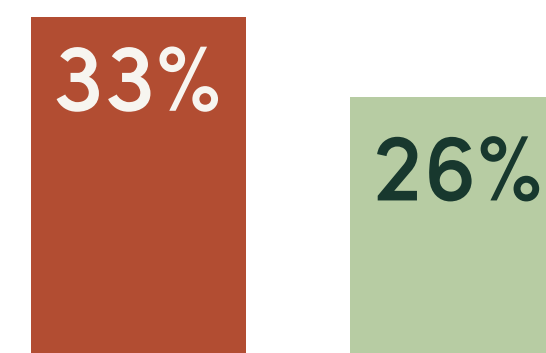


60% of angels made 2-5 investments

### 2023 Decreased investment vs 2022



of men of women



of angels earning <\$400K of angels earning \$400K+



13% of angels made more than 10 investments



The angel investor ecosystem continued to mature across 2023 as the economic landscape remained challenging for early-stage investment.

Investor appetite shifted heavily towards supporting existing portfolio companies and investing in new startups that demonstrated revenue growth and a path to profitability. More angel groups expanded their offering to include a committed capital option such as a rolling fund or sidecar to let members invest once in a managed portfolio of startups. We expect sentiment to improve in 2024 and are already seeing early signs of this.



**Ed Hooper**  
Chief Executive Officer & Co-Founder  
GXE

In 2023 we saw the continued broadening of the platform for angel investing in Aussie startups. However, whilst there was an expansion in the opportunity for angel participation thanks to the growth in syndicates and the maturation of the local infrastructure on which they operate, we found that actual participation was hamstrung as macro conditions bit. This was particularly evident for first-time, or newer angels who are more exposed to cost of living pressures.

We expect that as economic conditions improve, the sector as a whole will be in better shape.



**Simon McKendry**  
Partner  
Cut Through Angels

## CUT THROUGH VENTURE COMMENTARY

## Australia can lead the world with sensible Wholesale Investor regulation

## Current requirements to qualify as a Wholesale Investor

You have net assets of AUD\$2.5 million or;

You have a gross income of the last two financial years of at least \$250,000 per annum

## Rumored proposed new requirements to qualify as a Wholesale Investor

You have net assets of AUD\$4.5 million or;  
You have a gross income of the last two financial years of at least \$450,000 per annum

## Retail vs Wholesale investment products?

Retail investment products have higher compliance and disclosure for consumer protection, while wholesale products aimed at experienced investors have fewer regulatory obligations.

The above does not constitute advice and should not be relied upon as such. You should always obtain professional advice based on your specific circumstances before taking any action relating to matters covered by this publication. Some information may have been obtained from external sources, and we cannot guarantee the accuracy or currency of any such information.

At the time of publishing this report, the Federal Labor Government was considering implementing changes to the Wholesale Investor Rule based on recommendations provided by the Australian Securities and Investments Commission (ASIC).

We believe the proposed rule changes will unfairly exclude well-informed investors from participating in a broad set of investment opportunities. We also believe the changes will fail to protect many novice investors whom the regulation is intended to protect.

Since the implementation of the Wholesale Investor Test in 2021, investors deemed to be "Sophisticated" and allowed to invest in wholesale investment opportunities (ranging from wholesale hedge funds, to certain private equity funds, to unlisted property trusts, to direct or syndicated angel investments in startups), have been judged based solely on the income and net assets of the individual.

One can mount a strong argument that income or net worth in a vacuum is not a suitable measure of "investor sophistication"; however, whether you agree with the definition or not, nuanced versions of the same approach exist in other markets, including the United States, the United Kingdom, Canada, and Singapore.

ASIC's core rationale for the suggested changes to increase both the income and net-asset thresholds required to qualify as sophisticated is grounded in the impact of inflation over the past twenty years since the regulation's enactment. ASIC argues that when the thresholds were set, less than 2% of the population met these guidelines, but now between

15-20% of Australians do.

Put another way, it is ASIC's view that a person earning an income of \$250,000 or with a net worth of \$2.5 million is no longer classed as wealthy in modern Australian society and, therefore, should not be exposed to financial products or investments opportunities that have fewer investor protections in place.

Rather than argue over what constitutes 'wealthy', we do not believe that wealth is an appropriate sole measure of whether an individual is fit to assess a wholesale investment opportunity on its merits.

We believe the Labor Government now has the chance to make Australia a world leader by enacting sensible reforms to the Wholesale Investor qualification requirements, which will go to the heart of what the original legislation aimed to achieve: to protect investors.

A revised investment regime must ensure that anyone who wants to invest in an investment that would see them waive consumer protections baked into Retail Investment products knows what they're getting themselves into.

Investor education is required to achieve this.

While some minimum 'wealth' thresholds may be appropriate, the regulation's core should also include an education and testing-based investor qualification regulation, which assesses financial knowledge and investment risk understanding.

## Key elements would include:

**Educational course:** Investors complete a course on key investment concepts, market dynamics, risk assessment, and legal aspects, focusing on high-risk investments.

**Qualification exam:** Post-course, an exam tests material understanding, assessing knowledge of investment principles, risk management, and investment-type risks.

**Certification:** Passing the exam grants a time-bound certification as an educated investor, subject to periodic renewal to align with market and regulatory changes.

This approach would prioritise understanding over financial status, aligning investor eligibility with actual market knowledge and risk comprehension. It would democratise access to investment opportunities, allowing access based on intellectual and educational merit rather than purely economic status.

**The Australian Government has an exciting opportunity to draft world-leading investor protections from the ground up. These regulations should foster financial literacy, equipping investors to make informed decisions that correspond with their risk appetite and investment objectives. Such a framework would contribute to a safer and more robust investment ecosystem for all stakeholders.**

ANGEL SURVEY INSIGHTS

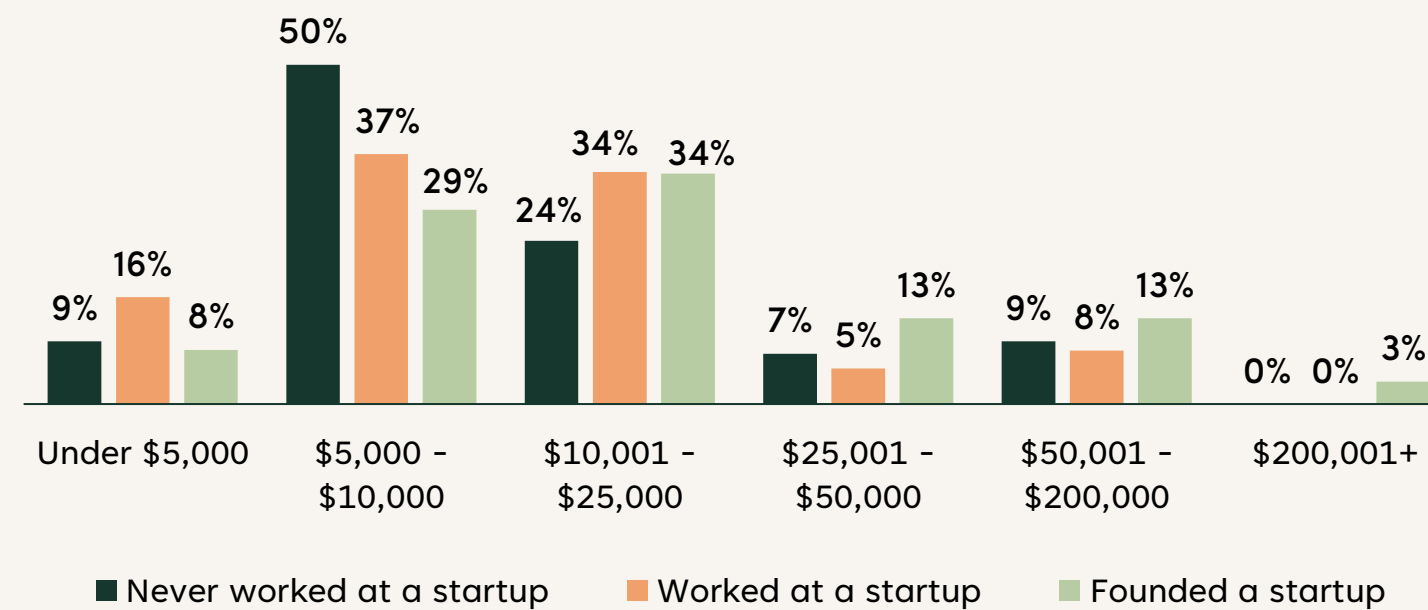
# Startup to angel flywheel

Angels possessing startup operational experience tend to invest at earlier stages and commit more capital.

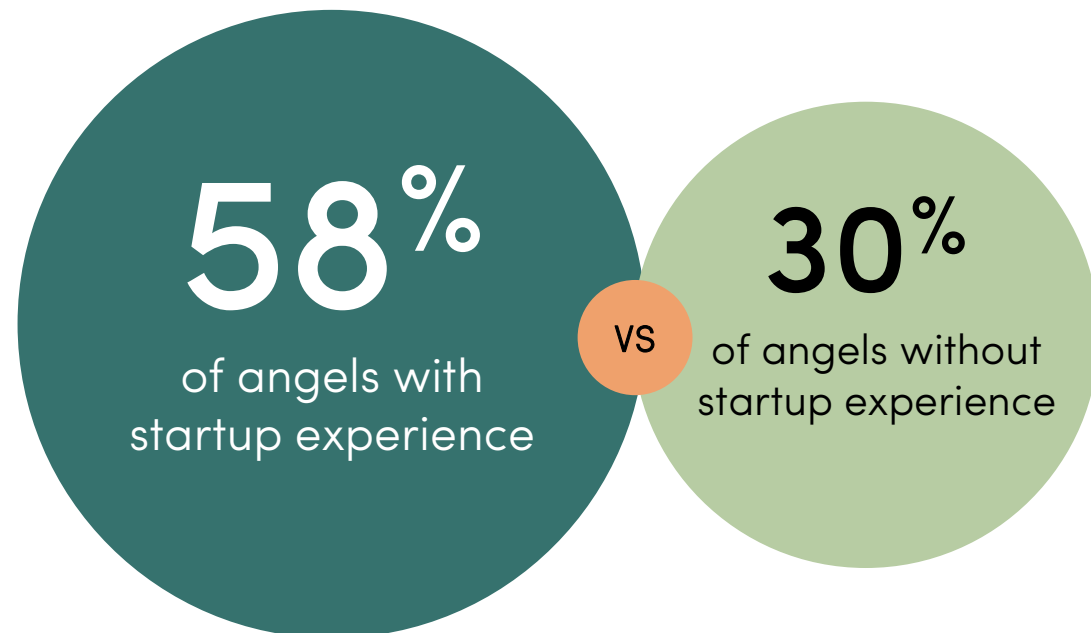
Individuals with backgrounds as startup employees or founders frequently pursue angel investing, drawing on their substantial insight into the entrepreneurial journey and their robust network in the startup community.

This dual advantage enables them to adeptly evaluate early-stage ventures and offer invaluable mentorship and support. With their understanding that startup success goes beyond just a good idea, they apply a nuanced perspective on risk and reward in their capacity as angel investors.

## What is your typical cheque size on a single investment?



## Which angels most prefer to invest pre-revenue?



Angels with startup experience favourite stage to invest:

**Product build, Pre-launch**



Angels without startup experience favourite stage to invest:

**Revenue generating**



As athletes continue to learn more about the venture ecosystem, there is a growing enthusiasm from them to:

- Invest personally in private companies.
- Look at sweat equity deals from start-ups to get involved with and promote, and we are starting to assist with these placements.

We think it's an exciting time for the venture ecosystem and the athletes who have a long-term partnership mindset.



**Matt De Boer**  
Co-Founder  
Athletic Ventures

Angel investors are vital players in the startup ecosystem, and they are becoming more important than ever.

Political and economic shifts have meant that funding opportunities are becoming scarcer for many Australian startups, and regulatory changes further threaten the amount of capital being deployed at the early stage.

Through education, awareness and networking events, I hope that we can continue to build the angel community and provide much-needed support to these companies and their innovative, exciting and impactful technologies.



**Beste Onay**  
Investments & Portfolio Manager  
UNSW Founders

ANGEL SURVEY INSIGHTS

# Angels tentatively optimistic about the year ahead

Angels expect slower deal activity in 2024 than professional investors do.

Most angel investors perceive startups as either fairly-valued or undervalued, although an increased proportion now view them as overvalued compared to the end of 2022. The rising cost of living has emerged as the primary barrier to making additional investments for survey respondents.

Mirroring the sentiment of professional investors, angel investors also find Climate Tech and AI to be among the most compelling sectors for investment in 2024.

## What sectors are you most excited about in 2024?

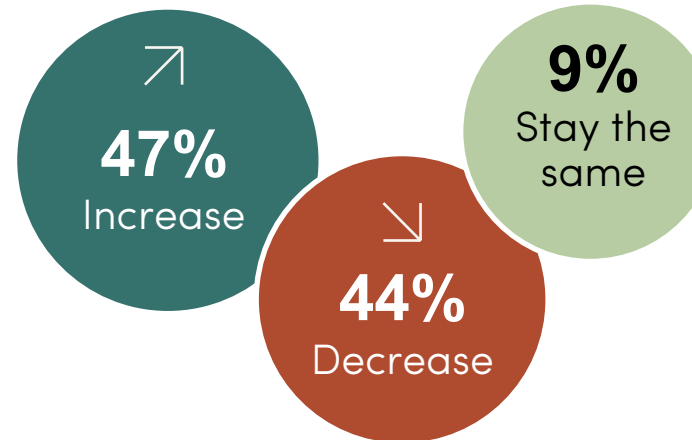
### Male Angels Top 10

1. Climate Tech / CleanTech
2. Artificial Intelligence
3. Deep Tech
4. Enterprise / Biz Software
5. Cybersecurity / Privacy
6. Healthtech
7. Fintech
8. Agriculture / Agtech
9. Biotech / Medtech
10. EdTech / Training

### Female Angels Top 10

1. Climate Tech / CleanTech
2. Artificial Intelligence
3. Healthcare
4. Enterprise / Biz Software
5. Deep Tech
6. Agriculture / Agtech
7. Fintech
8. Space / Aviation / Defence
9. Biotech / Medtech
10. Cybersecurity / Privacy

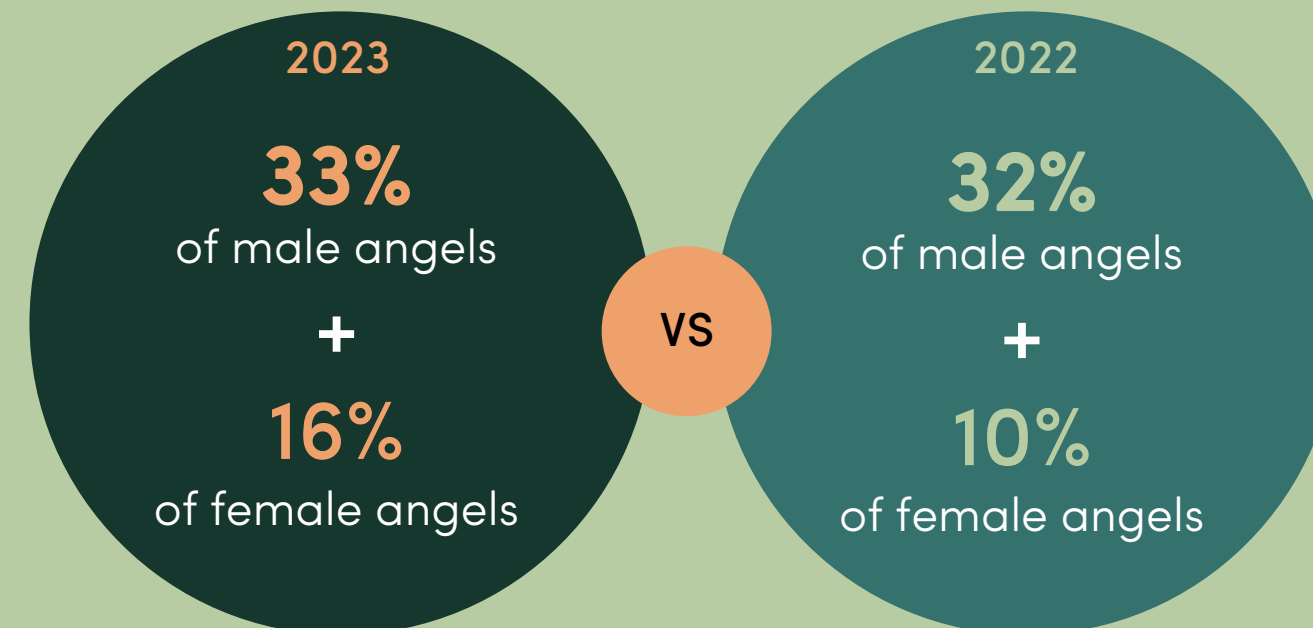
Compared 2023, do you expect your Angel investing activity in 2024 to:



Angels 3 biggest barriers to investing more:

1. Access to capital / Cost of living
2. Lack of time
3. Access to quality deal flow

Think startups are overvalued



Despite a turbulent market, angel investors in Australia have navigated 2023 with cautious optimism.

Our extensive community surpassing 500 investors remains committed to high-calibre startups, albeit with tempered investment enthusiasm mirroring the dip in broader VC investment volumes. We have seen more caution from those who over-extended in 2021, but relative excitement from fresh capital given entry valuations have swayed toward more investor-friendly.

According to our latest TEN13 investor survey in December 2023, almost 40% of angels expected improved venture conditions in 2024 – this is buoyed by trends such as AI which continue to generate palpable interest among angel investors.



**Stew Glynn**  
Managing Partner  
TEN13



## CUT THROUGH VENTURE COMMENTARY

## Crowdfunding changes required to fulfil its promise to retail investors

In previous years, this report covered the State of Crowdfunding. We recognise the positive intent behind crowdfunding and its suitability for certain businesses to raise capital. In 2023, Cut Through Venture stopped publishing data on crowdfunding campaigns, concluding that the current crowdfunding model fails to adequately protect retail investors, the very group the regulation governing it aims to serve.

The Corporations Amendment (Crowd-sourced Funding) Act 2017 and the Corporations Amendment (Crowd-sourced Funding for Proprietary Companies) Act 2018 aimed to make capital more accessible to small and medium-sized enterprises while safeguarding investors that choose to back them. Key aspects of the legislation include:

- Limiting investors to investing \$10,000 per year per company for shares.
- Allowing companies with assets and revenue under \$25 million to raise up to \$5 million annually through crowdfunding.
- Requiring eligible companies to have at least two directors and prepare and audit annual financial reports for raises over \$3 million.
- Provide comprehensive informational documents to support the raise and five-day cooling-off period.

While we acknowledge that crowdfunding platforms and their participating companies likely comply with these requirements, we see a need for changes through

legislative updates or self-regulation by the platforms.

During the period that Cut Through Venture analysed the sector, we identified several issues that we deemed not in investors' best interests.

These issues included inflated valuations, confusing investor materials, aggressive marketing tactics, and a failure to disclose failed prior attempts to raise capital from professional startup investors.

These actions benefit the company conducting the campaign and the platforms that generate income from successfully fulfilled campaigns. This advantage comes at the expense of investors, who, we contend, do not receive accurate information about the company's current status or its potential to secure additional funding for future growth.

We believe there are some simple changes that either the regulator should require, or the crowdfunding platforms should choose to implement on their own accord, which will increase transparency to participants in crowdfunding campaigns.

These changes will not negatively affect high-quality companies that conduct crowdfunding campaigns. We also believe these will benefit the crowdfunding platforms themselves, given that the improved disclosure will draw a new set of investors to the platforms and ensure that only high-quality companies utilise their services.

Once necessary changes are made within the sector, Cut Through Venture will again cover the funding segment.

## Straight forward changes in the interest of crowdfunding investors

1. Highlight key financial metrics, like one-year revenue growth and the last 12 months' profit or loss, on both the campaign homepage and in the investor presentation's early pages.
2. Present clear valuation metrics of the deal, like Price-to-Revenue or Price-to-GMV, prominently on the campaign homepage and in the investor presentation's early pages.
3. Summarise previous attempts by the crowdfunding company to raise from professional investors or angels, whether successful or not.
4. Ban celebrity endorsements of campaigns, except when the celebrity is a founding shareholder of the company.
5. Require any social media campaign promotion to comply with advertising regulations governing other financial institutions.
6. Mandate crowdfunding platforms to disclose past campaign performance, including cash distributions to investors and the latest paper valuations of previously funded companies.
7. Bind crowdfunding platforms to act as financial fiduciaries to campaign investors akin to financial advisors, asset managers, or other money managers.

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## 06 The State of Venture Debt

Venture debt carved a pivotal role in the Australian startup financing landscape in 2023, offering a strategic bridge for growth amid tighter venture capital markets.

A growing number of venture capitalists noted their portfolio companies' adoption of venture debt, moving it from a contingency plan to an integral part of their growth strategy.

The period also highlighted the challenges and opportunities presented by a diverse funding landscape, with startups navigating through higher interest rates and more rigorous borrowing requirements, underlines having a broad set of alternative funding sources as critical in supporting innovation and operational robustness in Australia's entrepreneurial ecosystem.



# Five Things to Know

## 1

### Startups leverage debt in tighter VC market

2023 was another year of significant growth for venture debt providers, underpinned by a reduction in scepticism among founders and VCs.

Venture debt helped bridge the funding gap for startups that demonstrated strong operating metrics but found themselves in the challenging position between equity funding rounds., offering a viable path to fuel growth, hit milestones, and launch strategic initiatives.

74% of VCs reported that portfolio companies took on venture debt in 2023.

## 2

### A critical bridge, but don't call it a lifeline

As the venture capital landscape became more stringent, venture debt emerged as an essential bridge for startups navigating the increasingly selective flow of equity capital. This enabled businesses to pursue growth and operational milestones by utilising debt as a strategic tool rather than as a last-resort measure for survival.

In a business environment where fewer startups were able to maintain ongoing operations, venture debt providers intensified their messaging, positioning themselves as a deliberate, strategic option rather than a capital source of last resort.

## 3

### Lender options allows a tailored approach

The rise in the number of venture debt lenders in Australia has introduced greater diversification to the startup financial landscape, providing a spectrum of products tailored to various company stages and types.

This diversity now caters to a range of strategic objectives, moving beyond a one-size-fits-all solution. Founders now possess the flexibility to choose financing options that align more precisely with their specific needs, rendering venture debt a more effective tool.

## 4

### Rising interest rates have mixed impact

As interest rates rose, venture debt providers faced rising capital costs, impacting their lending strategies.

Confronted with optimising loan profitability while staying attractive to borrowers, they carefully navigated rate settings. Their diverse funding sources, from limited partnerships to banks, influenced their term flexibility.

Balancing competitiveness with sustainable returns became crucial.

## 5

### Lenders tighten guidelines, raise expectations

Venture debt providers heightened borrower expectations, necessitating robust unit economics, scalable models, and clear strategies for sustainable growth.

The due diligence process mirrored equity fundraising in its rigour, demanding thorough preparation from startups.

Companies were required to explicitly outline how the debt would facilitate key growth initiatives and present a detailed plan for reaching sustainability, supported by revenue growth and solid operational metrics.

## Alternative funding sources become the best alternative for some

For startups with robust operating metrics who are stuck in equity-funding purgatory, between acceptable venture capital funding rounds, venture debt became a fit-for-purpose solution to support growth, achieve key milestone targets, or execute strategic initiatives.

To claim that current market conditions have ushered in a local venture debt bull market might be overstating the case, but the funding sector has transformed almost beyond recognition from its state just three years ago.

The reluctance of founders to adopt the product, the hesitance of venture capitalists to endorse it, and the challenge of achieving product-market fit when venture capital dollars are widely available have all diminished in the current environment.

Now, numerous local firms are competing to provide loans to startups at various stages and for a diverse range of purposes. Whether it's to finance working capital, facilitate an acquisition, finance entry into a new market, or simply 'buy time' to grow into their previous valuation round, it seems there is now "a venture debt lender for that".

**74%**

of VCs said companies in their portfolio took on venture debt in 2023



**5%**

surveyed Pre-Seed startups reported having taken venture debt



**18%**

surveyed Seed startups reported having taken venture debt



**35%**

surveyed Series A+ startups reported having taken venture debt



It's well known that VC's invest in fewer than 1% of deals they screen. As a former VC, I was constantly saying no to the most amazing people on the planet--start up entrepreneurs. I'm thrilled that Australian tech founders now have a variety of funding options available.

In 2009, Lighter Capital pioneered revenue-based financing for BtoB SAAS companies in the US. In 2021 we launched in Australia, providing non-dilutive, easy access capital to hundreds of these amazing founders.



**Melissa Widner**

Chief Executive Officer  
Lighter Capital

## PARTNER INSIGHT

# How venture debt fills a gap for late-stage startups



**With interest rates at historic highs, start-ups everywhere are finding it harder to access the funding they need to sustain and grow their operations. Equity valuations in the tech sector have come down markedly, making it less attractive for founders and entrepreneurs to issue dilutive capital. It will take time for the valuation gap between investors and businesses to close.**

This is especially problematic for later-stage start-ups.

Funding for Series A and seed round start-ups remains relatively healthy. And existing Series A/B firms have been able to raise additional funding from inside rounds or convertible notes, delaying their next equity round until the market recovers.

Many Series B/C companies, meanwhile, are struggling to live up to growth plans and valuations from an easy-money era. Some of these will end up as so-called unicorns or zombiecorns, burning through cash with no real prospect of rapid growth or raising additional equity.

Others, though, will find a way to access alternative sources of capital and make the best use of their existing resources.

### **An attractive alternative**

Venture debt can be especially useful for companies in this cohort. By combining conventional debt funding with equity features, such as warrants, to give lenders

additional upside, the product allows businesses to access funding at a lower cost of capital than traditional equity capital.

While equity funding has become scarce, it is a different story for venture debt. In the United States, the biggest market for venture debt funding, the terms available for borrowers have barely changed from a year ago, thanks to bank providers such as HSBC, First Citizens Bank (formerly SVB) and Stifel, and the arrival of new entrants looking to establish or scale up venture debt practices.

These include a new breed of start-up financing firm in the United States, such as Arc Technologies. The platform reportedly enables start-ups to onboard into Arc Capital Markets and receive indicative debt terms for up to US\$250 million within five days from a network of lenders.

The growth of this market is helpful for the start-up ecosystem. However, companies will need to pay attention to counterparty risks and consider whether their partners will be able to support them for the long term.

### **Serving the Australian market**

Venture debt is still a niche product in Australia, representing only about 2-4% of total venture funding in the country. It is likely to scale up rapidly, given the funding needs of the nation's start-ups and new venture

debt offerings, including one launched by HSBC in Australia in November.

“Our conversations with founders, venture capital firms and the wider ecosystem over the past two years have consistently highlighted a shortfall of capital for late-stage growth companies,” said Alan Watters, HSBC's Australia and New Zealand Tech Sector Lead.

HSBC's venture debt offering deepens its support for innovative companies who need flexible, long-term funding and trusted banking relationships to help them reach their next milestone. It complements the early-stage funding available from existing debt providers in the Australian market, such as Partners for Growth, Marshall Investments, OneVentures and MA Growth Ventures.

It also adds to the development of the private markets in Australia, which will support the Australian start-up ecosystem over the long term. At this point in the cycle, venture debt can be an especially attractive solution for performing companies looking to invest in growth and extend their runway.



**Alan Watters**

Tech Sector Lead, Australia & NZ  
HSBC

# Who is fit for venture debt?

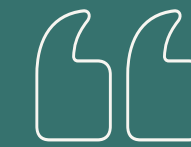
Venture debt continues to grow as a key strategic tool for founders to extend runway.

Venture debt can be a valuable alternative to equity financing; however, it comes with the obligation to repay the funds raised. Throughout 2024, venture debt has increasingly been used to extend funding runway and prepare for a startup's next equity financing, whether by achieving key growth milestones or by charting a path to profitability.

## Types of venture debt

	Revenue-Based Financing	Working Capital Financing	Growth Capital Financing
<b>Typical Candidates</b>	Seed/Series A+ Revenue-generating	Series A+ At or near cashflow neutral	Growth-stage At or near cashflow positive
<b>Typical Purpose</b>	Fund customer acquisition or inventory purchases	Fund customer acquisition or inventory purchases	Fund expansion (new markets, M&A etc)
<b>Interest Repayment</b>	% of revenue	Interest rate on the (variable) borrowed amount	Interest rate on the (fixed) borrowed amount
<b>Key Metrics</b>	At or nearing \$1M annualised (recurring) revenue		At or near A\$3-5M annualised (recurring) revenue
	>3 months runway		>12 months runway
	High growth; VC-backed		>30-50% yoy revenue growth

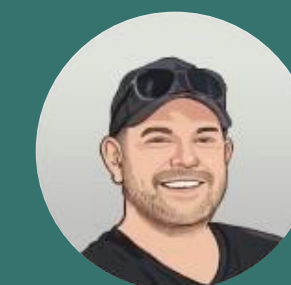
Sourced from discussions with several Australian venture debt providers



The ability to use non-dilutive funding to scale is a fairly new concept for founders running tech enabled companies and it's exciting to have been able to deploy over \$60M to them so far, making Tractor the fastest growing finance startup in the AFR fast starters list.

#ironic

Using debt to scale is a powerful, and now accessible, lever for founders to pull when they can efficiently deploy it into faster growth, ultimately benefitting all shareholders.



**Matt Allen**

Co-CEO & Co-Founder  
Tractor Ventures

# Closing the deal in 2023

Tough economic conditions and a new normal, where venture capital investment is not as reliable a funding source, mean that venture debt providers, while willing to lend, have recalibrated their own expectations of lending candidates. For success in this new environment, startups must demonstrate strong unit economics, a scalable business model, and a clear strategy for achieving sustainable growth.



In 2023, the cost of capital for lenders rose, concurrently escalating repayment obligations and access barriers for founders. Analogous to venture capital equity financing, startups demonstrating sustainable growth are most likely to secure funding.



**Rising interest rates** affect all venture debt providers, albeit differently. The underlying cost of capital for these providers depends on their source of funds, which can range from Limited Partner investors in a pre-committed fund to private debt funds to banks or corporate investors.

Lenders with funding costs locked in at the time of fund formation face the challenge of setting rates that both appease their investors and maintain market competitiveness. Those with a floating rate funding source need to determine the extent to which they pass on rate increases to borrowers. All lenders aim to meet market expectations and maximise their returns.

## Preparation

The diligence process for venture debt is becoming increasingly rigorous, mirroring the equity capital raising process.

## Purpose

Startups need a clear strategy for utilising the debt, such as funding key growth initiatives.

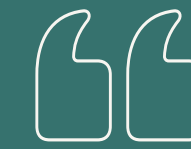


## Metrics

Startups need a robust plan aimed at achieving profitability, which is frequently evident through their burn rate and runway. This involves demonstrating steady revenue growth or achieving specific revenue milestones. Furthermore, startups need to present strong operational metrics to assure lenders of their capacity to meet their debt obligations.

## Raising early

Venture debt providers will not lend in an emergency, and do not want to be a financier of last resort.



Founders tell us that the 2024 raising environment will remain challenging and they are seeking to survive to 2025 or until they reach breakeven.

This necessitates internal bridge rounds or venture debt funding to get them there. It's difficult to suddenly pivot from a growth strategy into a breakeven strategy, so founders will need to explore debt solutions, where they don't have to establish valuations or face significant dilution.

I think the venture debt market in Australia will expand, and we will see existing providers lean into this need and perhaps new local entrants and international players will step into the market.



**David Salkinder**  
Chief Executive Officer  
Fundabl

# 07 The State of Accelerators and Venture Studios

We are highlighting Accelerators and Venture Studios for the first time in 2023, recognising their pivotal roles within the ecosystem over the past decade.

Their significance, we contend, has grown under the prevailing market conditions, accompanied by their enhanced value propositions.

Accelerators have progressed beyond education and pitch coaching; they now furnish startups with invaluable communities and mentorship opportunities. Venture Studios, in response to previous critiques, have similarly advanced, rendering startups emerging from these ecosystems ready for scale, and often more appealing to investors.





# Five Things to Know

1

## Shifting mandate and challenging environment elevates role

Both accelerators and venture studios have adapted their value propositions, becoming more pivotal to the startup landscape, especially during economic downturns.

Quite often playing the role of the earliest supporter of a startup at its most nascent stage, and with characteristics that are hard to replicate, the importance of the accelerator and venture studio models have never been more important.

2

## A stalwart of the ecosystem has evolved with the times

Accelerators have transcended traditional offerings like education and pitch coaching, now delivering mentorship and founder communities that online courses and platforms cannot match.

Their commitment to annually supporting early-stage businesses injects an element of stability and support into the startup ecosystem, particularly beneficial in a sluggish funding environment.

3

## Best accelerators provide 'access as a service'

Specialisation in accelerators, particularly in niche areas requiring in-depth technical knowledge, open doors in hard-to-access sectors.

They play a vital role in promoting diversity and inclusivity within the startup ecosystem, offering access and support to underrepresented groups. This drives innovation while facilitating a more equitable distribution of opportunities and resources.

4

## By addressing past criticism, venture studios increase their relevance

Venture studios have addressed critiques from traditional investors by focusing on creating businesses that are investor-ready, self-sustaining from inception, or guaranteed funding for scaling. This marks a shift in their approach to nurturing business growth.

Enhanced by these changes and existing advantages, startups incubated by venture studios are increasingly capturing venture capital investors' interest.

5

## Refined model de-risks with expertise and drives efficiency

Top venture studios focus on building scalable businesses with manageable cap tables and clear graduation pathways for startups. The growing number of success stories, marked by significant funding rounds and exits, highlights the model's potential.

Studios offer specialist skills and networks to mitigate market entry risks and provide access to talent typically beyond the reach of unproven entrepreneurs.

# Not new, but evolved

**We are covering Accelerators and Venture Studios for the first time in 2023. Both have been integral to the local ecosystem for over a decade; however, we see their increased significance, particularly under current market conditions and with their evolved value propositions.**

Accelerators have progressed beyond merely offering educational content, pitch coaching, and investor exposure through demo days.

They now provide unique value that surpasses the benefits derived from YouTube entrepreneurship courses or investor connection platforms like OnePitch VC. Although challenging to quantify, the access to a network of founders and experienced, relevant mentors is invaluable – a unique offering accelerators are well-positioned to provide.

Furthermore, in a slower economic climate, accelerators' commitment to

supporting a certain number of early-stage businesses annually instils a level of certainty and support in the ecosystem, which is highly beneficial.

Venture Studios have similarly evolved, effectively addressing many criticisms previously directed at them by more traditional startup investors.

Their focus has pivoted towards building businesses that are either “investor ready”, are self-sustaining (profitable) from ‘Day One’, or have the venture studio's commitment to fund them to scale.

This evolution signifies a substantial shift in their approach to fostering business growth. With these enhancements, coupled with the pre-existing benefits, we anticipate that startups emerging from venture studios will attract more attention from venture capital investors going forward.

## What's the difference?

### Accelerators

Short-term, intensive programs for early-stage ventures, providing mentorship, access to community, resources, and funding to expedite growth and attract subsequent investor interest.

<b>Best suited to</b>	Pre-seed or Seed stage founders
<b>Engagement duration</b>	3-6 month fixed-term program
<b>Support model</b>	Community, mentorship, education, networking, and funding
<b>Capital invested</b>	Typically \$50K to \$300K
<b>Equity position</b>	5-20%
<b>Subcategories</b>	Independent or aligned to corporate, VC fund, university, or government branch. General in nature or focused on a specific industry group or serving certain demographics
<b>Business model</b>	Heavily dependent on mission-aligned organisations or government grants, plus fee income from an attached fund structure, given that the bulk of economic return accruing is via investment outcomes

### Venture Studios

Actively build startups from the ground up, acting as a co-founder and offering expertise, operational support, and capital to turn innovative ideas into market-ready companies.

<b>Best suited to</b>	Entrepreneurs at the ideation stage of their venture
<b>Engagement duration</b>	Until self-sustaining or exit
<b>Support model</b>	Comprehensive operational support including, tech, legal, financial, HR services
<b>Capital invested</b>	As required, combination of direct capital and benefit-in-kind labour services
<b>Equity position</b>	Wide range, typically between 10-80%
<b>Subcategories</b>	Aligned to corporate, consulting firm, or VC fund
<b>Business model</b>	Heavily dependent on mission-aligned organisations for financial support, given that each new venture starts life as a cost centre

# Accelerators have changed

Value proposition has shifted from just capital, education, and a pitch day.

## The old

Startup accelerator programs, designed to drive rapid growth of early-stage companies, originated in the early 2000s. The model was pioneered by Y Combinator in the US in 2005 and quickly gained traction globally.

These programs typically offered seed investment and training over a fixed period, culminating in a public demo day. Their central goal was to help startups scale quickly to get to their next investment round.

## The evolved

With entrepreneurship education now widely available online and for free, these programs can no longer rely on educational content as a cornerstone feature. Additionally, the proliferation of early-stage capital and the ease of connecting with VCs have reduced the importance of traditional demo days.

To stay relevant, accelerators are pivoting towards offering unique value propositions. This includes fostering a genuine community, with mentorship from founders and operators with specific, real-world experience. Specialisation has also become crucial, with some accelerators focusing on niche verticals that require deep technical knowledge, such as climate tech, deep tech, and sectors like cybersecurity and reg tech, where getting your foot into a hard-to-access door is critical to a startup's success.

Moreover, many accelerators are pivotal in enhancing diversity and inclusivity in the startup world. They provide crucial access and support to diverse and under-represented groups, helping to gain access to the broader startup ecosystem. This shift broadens the scope of innovation and ensures a more equitable distribution of opportunities and resources.

“ Since launching the Techstars Tech Central Sydney accelerator in 2023 I’ve seen an influx of quality applications from local and international companies.

The sluggishness in the broader venture market seems to have increased the appeal of accelerators to founders.

In particular, founders who previously might have been able to raise from angels or VCs off the strength of their founder team or early indicators of traction are now considering accelerators – not just as a source of capital, but the opportunity to attract the attention of investors in a tight funding market.



**Kirstin Hunter**

Managing Director  
Techstars –  
Tech Central Sydney



The Builder Club is focused on driving disruptive innovation in a non-traditional hacker way. It’s both a community and Australia’s first AI accelerator.

The accelerator is non-conventional. It’s focused on identifying a small cohort of Australia’s top technical AI engineers and hackers and get them from “tinkering” on nights and weekends to their first paid customer.

The thesis behind this is inspired by aspects of the bubbling US tech “arena” from programs such as HF0. We place importance on group accountability, building in public and leveraging the community.



**Annie Liao**

Founder  
Build Club

The emergence of community-led accelerators marks a significant shift in the startup landscape, emphasising collaboration and experimentation prior to pinpointing a particular problem or opportunity.

Participants are immersed in an environment of peers who share similar interests and entrepreneurial aspirations. Community leaders are instrumental in orchestrating events, facilitating brainstorming sessions, nurturing connections, and conducting masterclasses to encourage collaborative innovation.



2023 was a hard year for the startup ecosystem. The era of “cash abundance” is definitely over, with the amount of capital invested into startups markedly lower than in previous years. In parallel with this trend is a reduction in cash spending from corporations buying products from startups as both customers and sponsors of the ecosystem.

What has remained strong, though, is the desire to belong to a genuine community of peers. Finding your people in amongst the craziness of startup life can make the journey so much better and more enjoyable.



**Ian Gardiner**

Co-founder  
Innovation Bay



With a \$40BN NDIS market here in Australia and a growing global demand for assistive technology, the lack of investment in Disability Tech startups is surprising.

The innovation, market potential, and impact are clear, yet our founders often pitch to empty pockets. It's time investors realise the true value and untapped opportunity in Disability Tech, which also encompasses the needs of the ageing population and those living with chronic health conditions –investment is not just essential, it's smart business.

Current investors in Disability Tech are at the forefront of embracing this commercially attractive global market serving 1.3 billion individuals.



**Zara Fulton**

Head of Investments  
Remarkable

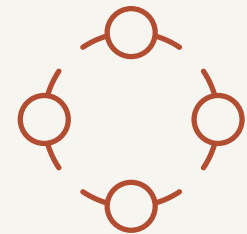
# Venture Studios

Venture studios have previously been critiqued by traditional startup investors over their impact and long-term viability. However, current trends indicate a change in perspective.

Top studios concentrate on building scalable companies, they ensure that capitalisation tables remain manageable, and they establish transparent graduation processes for startups. An increasing tally of success stories, from robust venture capital funding rounds and a series of substantial exits, both domestically and overseas, underline the potential of the model. This is reshaping the narrative around their role in the startup ecosystem.

## Tailwinds for the venture studio segment

01



### Co-existing with venture capital

Venture capital engagement with startups emerging from studios is rising. The stigma once associated with studio-backed startups is diminishing, unlocking more investment and growth within the space.

02



### Specialisation to de-risk market entry

Market or industry specialist studios, with their networks, existing data, and insights, can de-risk market entry by delivering pilot programs and beta products efficiently.

03



### Access to talent

Successful studios, akin to seasoned founders, can attract talent that 'idea stage' companies typically cannot access. Coupled with specialist in-house support, this provides startups with a distinct talent edge.

04



### Founder-friendly terms

Studios have recognised that a startup's initial funding terms and cap table condition are crucial for future investment attraction. Many now stand out by proposing more founder-friendly terms, aligning long-term interests effectively.



Venture studios are still the new kid on the block in Australia, but the category is growing fast as they begin to prove their worth as an alternative path to building successful startups.

There is no 'one-size-fits-all' definition of a venture studio, but they stand out as a player willing to take the risk on very early-stage ideas and get deep in the weeds with founders.

Globally there are 800+ venture studios and they've created \$100b+ of enterprise value. We're looking to replicate this success in Australia and boost the rate at which this region can produce global unicorns.



**Poppy Trehella**

Venture Partnerships Director  
Paloma

It's super competitive at the earliest stages of venture. It seems like every VC is funding companies earlier and earlier to get pole position for the future. The venture studio model is a growing asset class that de-risks venture at the earliest of stages.

2024 will see the continued growth and success of venture studios in Australia that will live up to the hype of this increasingly popular structure.



**Rob Mackay**

Director  
Aginic

# 08 Appendices

01. Acknowledgement
02. Australian startup investors ready to invest
03. Methodology and Disclosure



08

# Acknowledgement

**This report would not be possible without the generous support of countless individuals and organisations who helped make it happen.**

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We'd also like to thank the 119 venture capital funds, angel syndicates and ecosystem champions who collaborated with us, as well as the hundreds of members of the startup community who shared their insights by completing our surveys.

Finally, thank you to the corporate sponsors of the report, Corrs Chambers Westgarth, HSBC, and KPMG, for supporting the Australian startup ecosystem.









# Australian startup investors ready to invest

**Disclosure:** This list is not exhaustive. There are many more currently active Australian startup investors. Organisations listed here opted in to provide their details. We have not verified the information provided by each organisation. Cut Through Venture does not warrant its completeness or accuracy. Startups should not use this as the sole basis for deciding which investor is best for them. A frequently updated list of organisations currently investing is available at <https://www.cutthrough.com/we-have-dry-powder>









		Stage	Cheque	Segments
	1835i.com	Series A, Seed	\$1M - \$20M+	Software
	aethra.xyz	Angel / Pre-Seed, Seed, Series A	Upto \$20M+	Hardware, Deep Tech, Climate/Green
<b>AFTERWORK</b>	afterwork.vc	Angel / Pre-Seed, Seed	Upto \$500K	Software, Hardware, Climate/Green, Health, Deep Tech, Non Tech
	airtree.vc	Seed, Series B, Series C+, Series A, Angel / Pre-Seed	Upto \$20M+	Software, Health, Climate/Green
	alberts.co	Seed, Series A, Angel / Pre-Seed	Upto \$1M	Software, Hardware, Climate/Green, Health, Deep Tech, Non Tech
	aliavia.vc	Angel / Pre-Seed, Seed	Upto \$1M	Software, Health











# Australian startup investors ready to invest

		Stage	Cheque	Segments
 ALICE ANDERSON FUND	launchvic.org	Angel / Pre-Seed, Seed, Series A	Upto \$250K	Software, Hardware, Climate/Green, Health, Deep Tech
 ALIUM CAPITAL MANAGEMENT	aliumcap.com	Series A, Series B, Series C+	\$3M - \$10M	Software, Health, Non Tech
 ANTLER	antler.co/location/australia	Seed, Angel / Pre-Seed, Accelerator	Upto \$500K	Software, Hardware, Climate/Green, Health, Deep Tech
 ARCHANGEL	archangel.vc	Angel / Pre-Seed, Seed, Series A	Upto \$1M	Software, Deep Tech, Health, Climate/Green
 artesian	artesianinvest.com	Seed, Series A, Series B	\$250K - \$5M	Software, Hardware, Climate/Green, Health, Deep Tech
 Athletic Ventures	athletic.vc	Series A, Series B, Series C+	\$500K - \$3M	Software, Hardware, Health, Non Tech, Climate/Green
 Aura Ventures	aura.vc	Angel / Pre-Seed, Seed, Series A	\$500K - \$3M	Software
 aussie angels	aussieangels.com	Angel / Pre-Seed, Seed, Series A, Series B	Upto \$1M	Software, Climate/Green, Health, Deep Tech, Hardware










# Australian startup investors ready to invest

		Stage	Cheque	Segments
	backbonepartners.com.au	Angel / Pre-Seed, Seed	Upto \$500K	Software, Health, Climate/Green, Deep Tech
	bailador.com.au	Series A, Series B, Series C+	\$5M - \$20M+	Software, Health, Climate/Green, Non Tech
	basecapital.io	Seed, Series A, Series B	\$500K - \$5M	Software
	blacknova.vc	Angel / Pre-Seed, Seed	Upto \$1M	Software, Climate/Green
	blacksheepcapital.com.au	Seed, Series A, Angel / Pre-Seed	Upto \$500K	Software, Climate/Green
	blackbird.vc	Angel / Pre-Seed, Seed, Series A, Series B, Series C+	Upto \$20M+	Software, Hardware, Climate/Green, Health, Deep Tech, Non Tech
	brandoncapital.vc	Seed, Series A	\$500K - \$20M+	Health
	carthonacapital.com	Angel / Pre-Seed, Seed, Series A, Series B	\$500K - \$5M	Software, Hardware, Climate/Green, Health, Deep Tech










# Australian startup investors ready to invest

		Stage	Cheque	Segments
 Climate Salad	climatesalad.com	Angel / Pre-Seed, Seed, Accelerator	Upto \$250K	Climate/Green
 Co Ventures	coventures.vc	Angel / Pre-Seed	Upto \$250K	Software, Health
 Commencer Capital.	commencer.com.au	Venture Debt, Series A, Series B, Series C+	\$3M - \$5M	Software, Hardware, Non Tech, Climate/Green
 CUT THROUGH angels	cutthroughventure.com	Angel / Pre-Seed Seed, Series A	Upto \$500K	Software, Climate/Green, Health
 DRAGONFLY ENVIRO CAPITAL IMPACT GROWTH FUND	dragonflyenvirocapital.com	Seed, Series A	\$250K - \$3M	Climate/Green
 ecotone ventures	ecotoneventures.com	Angel / Pre-Seed, Seed, Series A	Upto \$250K	Climate/Green
 Empress Capital	emprescapital.vc	Angel / Pre-Seed, Seed, Series A	Upto \$1M	Software, Health, Deep Tech
 Euphemia	euphemia.com	Angel / Pre-Seed, Seed, Series A	Upto \$1M	Software, Hardware, Climate/Green, Deep Tech










# Australian startup investors ready to invest

		Stage	Cheque	Segments
	evp.com.au	Seed, Series A, Series B	\$1M - \$5M	Software, Health, Climate/Green
	fireseedcapital.com	Angel / Pre-Seed, Seed	Upto \$1M	Software, Climate/Green
	fivevcapital.com	Series A, Series B, Series C+	\$3M - \$10M	Software, Climate/Green, Health
	flyingfox.vc	Angel / Pre-Seed, Seed	Upto \$1M	Software, Deep Tech
	folklore.vc	Angel / Pre-Seed, Seed, Series A, Series B, Series C+	Upto \$5M	Software, Hardware, Climate/Green, Health, Deep Tech
	fundabl.com	Venture Debt / Non-dilutive	Upto \$10M	Software, Hardware, Deep Tech, Climate/Green, Health, Non Tech
	f5collective.com	Seed	Upto \$250K	Software, Hardware, Deep Tech, Climate/Green, Health
	galileo.ventures	Angel / Pre-Seed, Seed	Upto \$500K	Software, Hardware, Climate/Green, Deep Tech, Health
	gandelinvest.com	Seed, Series A, Series B	Upto \$3M	Software, Hardware, Climate/Green, Non Tech









# Australian startup investors ready to invest

		Stage	Cheque	Segments
 Giant Leap	<a href="https://giantleap.com.au">giantleap.com.au</a>	Angel / Pre-Seed, Seed, Series A	Upto \$1M	Software, Climate/Green, Health, Deep Tech, Non Tech
 Hansa	<a href="https://hansa.network">hansa.network</a>	Angel / Pre-Seed, Seed	Upto \$1M	Software
 FIREMARK	<a href="https://linkedin.com/company/firemarkventures/">linkedin.com/company/firemarkventures/</a>	Seed, Series A, Series B, Series C+	Upto \$5M	Software, Climate/Green
 AUSTRALIA INSURTECH GATEWAY	<a href="https://insurtechgateway.com">insurtechgateway.com</a>	Angel / Pre-Seed, Seed, Accelerator	Upto \$250K	Software, Climate/Green
 investible	<a href="https://investible.com">investible.com</a>	Angel / Pre-Seed, Seed, Series A	Upto \$3M	Software, Hardware, Climate/Green, Health, Deep Tech
 Jelix VENTURES	<a href="https://jelix.vc">jelix.vc</a>	Seed, Series A	Upto \$1M	Software, Hardware, Climate/Green, Health, Deep Tech
 kashcade	<a href="https://kashcade.com">kashcade.com</a>	Venture Debt, Seed, Series A, Series B, Series C+	Upto \$1M	Software, Climate/Green, Hardware, Deep Tech, Health
 KING RIVER	<a href="https://kingriver.co">kingriver.co</a>	Series A, Series B, Series C+	\$5M - \$20M+	Software
 lighter CAPITAL	<a href="https://lightercapital.com">lightercapital.com</a>	Venture Debt / Non-dilutive, Seed, Series A	Upto \$5M	Software









# Australian startup investors ready to invest

		Stage	Cheque	Segments
	m8.ventures	Angel / Pre-Seed, Seed, Series A	Upto \$500K	Software, Hardware, Climate/Green, Health
	mafinancial.com	Venture Debt / Non-dilutive, Series B, Series C+	\$5M - \$20M+	Software, Climate/Green, Hardware, Deep Tech, Health
	macdochventures.com	Angel / Pre-Seed, Seed, Series A	Upto \$1M	Software, Climate/Green
	mseq.vc	Seed, Series A, Series B	\$250K - \$5M	Software, Climate/Green, Hardware, Deep Tech, Health
	mandalay.vc	Seed, Series A	Upto \$1M	Climate/Green, Software, Hardware, Deep Tech
	melbourneangels.com	Angel / Pre-Seed, Seed	Upto \$500K	Software, Hardware, Climate/Green, Health, Deep Tech, Non Tech
	metagrove.vc	Angel / Pre-Seed, Seed	Upto \$250K	Software, Hardware, Health, Deep Tech
	mind-vc.com	Angel / Pre-Seed, Seed	\$500K - \$3M	Health
	one-ventures.com.au	Venture Debt, Series A, Series B, Series C+	\$1M - \$20M+	Software, Hardware, Health

# Australian startup investors ready to invest









		Stage	Cheque	Segments
	purpose.ventures	Angel / Pre-Seed, Seed, Series A, Series B	Upto \$3M	Software, Climate/Green, Deep Tech, Health, Non Tech
	qic.com/Investment-Capabilities/Private-Equity	Seed, Series A, Series B, Series C+	\$500K - \$10M	Software, Hardware, Health, Climate/Green, Non Tech, Deep Tech
	rampersand.vc	Angel / Pre-Seed Seed, Series A	Upto \$3M	Software, Climate/Green, Health
	remarkable.org	Angel / Pre-Seed, Seed, Series A	Upto \$500K	Software, Hardware, Health, Deep Tech
	salus.vc	Angel / Pre-Seed, Seed, Series A	\$250K - \$1M	Software, Hardware, Deep Tech, Climate/Green
	scalarepartners.com	Angel / Pre-Seed, Seed	Upto \$250K	
	scaleinvestors.com.au	Angel / Pre-Seed, Seed, Series A	Upto \$500K	Software, Hardware, Climate/Green, Health, Deep Tech
	secondquarter.vc	Series A, Series B, Series C+, Secondaries	Upto \$10M	Software, Deep Tech, Health

# Australian startup investors ready to invest








		Stage	Cheque	Segments
 Shearwater	shearwater.co	Angel / Pre-Seed, Seed, Series A, Series B, Series C+	Upto \$10M	Software, Climate/Green, Non Tech
 SIDE STAGE VENTURES	sidestage.vc	Seed, Angel / Pre-Seed	\$250K - \$500K	Software, Climate/Green, Health, Hardware
 Skalata	skalata.co	Seed, Angel / Pre-Seed	Upto \$500K	Software, Climate/Green, Health, Hardware
 SKIP CAPITAL	skipcapital.com	Angel / Pre-Seed, Seed, Series A, Series B, Series C+	\$1M - \$20M+	Software, Hardware, Climate/Green, Health
 SĀ SOUTHERN ANGELS	southernangels.com.au	Angel / Pre-Seed, Seed	Upto \$1M	Software, Climate/Green, Health, Deep Tech
 sprint. founders first	sprint.vc	Angel / Pre-Seed, Seed, Series A	Upto \$1M	Software, Health, Climate/Green
 Square Peg	squarepeg.vc	Seed, Series A, Series B, Series C+	\$1M - \$20M+	Software, Health, Climate/Green
 Startmate	startmate.com	Angel / Pre-Seed, Seed, Series A, Accelerator	Upto \$500K	Software, Hardware, Climate/Green, Health



# Australian startup investors ready to invest

		Stage	Cheque	Segments
	stoicvc.com.au	Angel / Pre-Seed, Seed	Upto \$1M	Hardware, Health, Deep Tech
	strideequity.com.au	Angel / Pre-Seed, Seed, Series A	Upto \$5M	Software, Hardware, Non Tech, Health, Climate/Green
	tdmgrowthpartners.com	Series C+	\$20M+ - \$20M+	Software, Non Tech, Health
	techstars.com	Accelerator	Upto \$250K	Software, Hardware, Climate/Green, Health, Deep Tech
	ten13.vc	Angel / Pre-Seed Seed, Series A	\$500K - \$5M	Software, Health, Deep Tech
	tenacious.vc	Angel / Pre-Seed, Seed, Series A	\$500K - \$1M	Climate/Green, Deep Tech, Hardware
	thefund.vc	Angel / Pre-Seed, Seed	Upto \$250K	Software, Hardware, Climate/Green, Health
	tidalvc.com	Seed	\$1M - \$3M	Software

# Australian startup investors ready to invest

		Stage	Cheque	Segments
 touchventures.com	touchventures.com	Series A, Series B, Series C+	\$3M - \$20M+	Software
 tractorventures.com	tractorventures.com	Venture Debt / Non-dilutive	Upto \$1M	Software, Hardware, Climate/Green, Health, Non Tech
 unswfounders.com	unswfounders.com	Angel / Pre-Seed, Seed, Series A	Upto \$500K	Software, Climate/Green, Health, Hardware, Deep Tech
 utiliti.com	utiliti.com	Angel / Pre-Seed, Seed, Series A	Upto \$3M	Software, Health, Deep Tech, Hardware, Climate/Green
 wildcardventures.vc	wildcardventures.vc	Seed, Series A	Upto \$1M	Software, Hardware, Health
 worthwhileventures.org.au	worthwhileventures.org.au	Angel / Pre-Seed, Seed	Upto \$500K	Climate/Green, Non Tech, Health
 wunalacapital.com.au	wunalacapital.com.au	Series A, Series B, Series C+	\$500K - \$3M	Software, Health

# Methodology and Disclosure

## Startup funding data

Cut Through Venture provided the equity funding data in the report. Cut Through Venture gathers funding data from various publicly available sources, including press releases, social media, and investor memos. Data is also provided directly to Cut Through Venture by Australian startup ecosystem participants, including investors and founders. To be included in the Cut Through Venture data set, all deals must be validated by ASIC filings, an investor or founder involved, or via a press release citing parties to the deal.

To be included as a funding event, the transaction must result in an infusion of capital into the startup, in return for the investor taking equity in the business. Exits, grants, prizes, and secondary equity transactions are excluded from the data.

Cut Through Venture uses publicly available information, including LinkedIn and company websites, to augment the deal data collected. This additional information includes information about the founders of the startup and background information on the startup.

## Survey data

Survey data was collected from:

- 149 venture capitalists and other professional startup investors
- 286 startup founders
- 242 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. No Given the anonymity of the responses, it was not possible to validate the authenticity of the responses. The survey tool used was JotForm.

## Images

Images in this report were generated using DALL-E 3. Profile photos in the report were generated using ToonApp.

## Disclosure

This report was prepared based on data and other information from sources believed to be reliable, but Cut Through Venture does not warrant its completeness or accuracy. Any opinions and estimates constitute the judgment of the contributors as of the date of this material and are subject to change without notice. This report does not provide any financial product or investment advice, does not consider the investment objectives, financial situation or needs of any person and is not intended as an offer or solicitation for the purchase or sale of any financial instrument.

The editor of this report, Chris Gillings, is an investor at Five V Capital and Cut Through Angels. He is an investor in some of the startups and a Limited Partner in some of the funds mentioned in this report.