Canada's Venture Capital Landscape

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Table of contents

Message from the Executive Vice President, BDC Capital 3
Executive summary 5
VC investment in Canada: A mixed picture 7
Prolonged exit activity slowdown 18
Struggling VC returns 21
A continually evolving GP landscape 26
Fundraising activity losing steam 28
$11.5 billion of dry powder available 30
Shorter runways, but up rounds are on the rise 31
Conclusion: Bracing for exceptional uncertainty 35

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Message from the Executive Vice President, BDC Capital

Geneviève Bouthillier
Executive Vice President,
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Welcome to the 2025 edition of our annual report on Canada's Venture Capital Landscape. This comprehensive analysis aims to provide a detailed overview of the current state of the Canadian venture capital ecosystem, while highlighting key evolving trends for 2025.

Although there has been a slight uptick in optimism within the venture capital (VC) industry due to modest economic growth, trade uncertainties are presenting new challenges that are undermining investor confidence. Despite these headwinds, VC investment activity in Canada saw a notable 10% increase, breaking a two-year decline with $7.9 billion invested.[1] This is great news as VC investments are closely linked to innovation and productivity, both crucial drivers of economic growth.

VC investments fuel the development and commercialization of new technologies and business models. A thriving VC ecosystem not only supports individual businesses but creates a ripple effect on the broader economy, generating employment, increasing competitiveness, and driving GDP growth. There is no better time for businesses to streamline operations and create more efficient processes.

Foreign capital remains a crucial component of the Canadian VC landscape, particularly for larger deals. Let's face it: the risk of foreign capital retrenchment amid global uncertainties is real and as you'll see in our report, we're already feeling it. This year's report is a collective wake-up call; it underscores the need for increased domestic investment to sustain local innovation. Venture capital has become even more pivotal in enabling Canadian enterprises to thrive independently, and in reducing Canada's reliance on external markets. As the most active VC investor by number of rounds, BDC Capital seeks to build a strong pipeline for economic growth and global competitiveness, and ultimately, a more sustainable VC ecosystem. From very early stage through expansion, our commitment to supporting innovative Canadian companies remains steadfast.

[1] This report is based on the CVCA's year-end 2024 Canadian Venture Capital Market Overview. On May 14th, the CVCA has subsequently published revised data for 2024, increasing the total dollars invested to $8.5 billion for the year. The overall conclusions remain consistent.

Message from the Executive Vice President, BDC Capital (cont.)

We understand that a thriving and healthy ecosystem requires balanced funding across all stages of the startup lifecycle to ensure that promising companies are not hindered in their growth. Therefore, after launching our new Seed Venture Fund to enhance access to seed capital in underserved regions, we committed nearly $1 billion to help Canada's next generation of global champions access the capital they need to grow. The additional $500 million to our Growth Venture Fund and $450 million to our Growth Equity Partners program will help entrepreneurs buoy against the current chilling effect within the investment ecosystem.

"As we navigate these complexities, it is imperative for Canadian investors to play a more active role in supporting homegrown innovators. It is our duty to foster Canada's culture of innovation, here and now".

The current environment is tough, with significant capital locked in unicorns awaiting favorable conditions for exits. Alongside weak exit activity through mergers and acquisitions (M&As), and a challenged initial public offering (IPO) market, a healthy number of established GPs is surfacing. However, we are seeing less first-time managers[2], which compromises the path to market maturation. While we may not have a crystal ball, we can confidently identify key trends that are shaping the landscape and should be considered as 2025 unfolds:

Artificial intelligence (AI), hit a peak, commanding 30% of all VC investments. Increased adoption across a wide range of industries indicates that AI is well positioned to drive innovation and value creation in the years ahead. And with exit activity remaining sluggish, secondaries can provide a viable liquidity option to unlock capital for new investments.

Unsurprisingly, the VC landscape is likely to experience even higher market volatility due to geopolitical instability, trade tensions and economic uncertainties. This stresses the importance of remaining committed to a long-term vision and, more broadly, to supporting entrepreneurs working in strategic and promising sectors that enable Canada's economic autonomy: the mining sector, mineral resources, defense tech, life sciences, agri-food, to name a few.

We hope this report will serve as a valuable resource for understanding the current dynamics and prospects of the Canadian VC ecosystem. Given the risk of foreign capital pulling back, it is crucial for Canadian investors to step up and support local innovation and growth within Canada. Together, we can create the space for our innovators to unlock their potential and succeed.

[2] Emerging managers are first time managers, who closed fund I, and developing managers are those who closed funds II and/or III.

Executive summary

Optimism in the Canadian VC ecosystem improved slightly in 2024. This happened against a mixed macroeconomic backdrop of decreasing interest rates and inflation, and modest economic expansion. However, trade uncertainty and tariffs started eroding enthusiasm towards the year's end and into 2025.

With $7.9 billion invested, VC investment activity increased by 10% last year, breaking a two-year decline. However, investors remained cautious and selective. They targeted fewer, higher-quality deals, prioritizing companies with solid business models and strong growth potential. Excluding the $1.24 billion outlier deal of Vancouver-based legal tech company Clio—the largest round ever recorded in Canadian tech history—total investment decreased by 6% in 2024. This is a relatively better outcome than the double-digit declines of the past two years.

Apart from the growth equity stage, investments decreased at all stages, both in terms of dollars invested and deal volumes. This was in contrast to 2023, when investments in late-stage companies and growth equity experienced dramatic declines. The record 2024 increase in growth equity is partly attributable to the low 2023 baseline and to the outsized impact of the Clio deal.

2024 VC investments were driven by growth-equity stage transactions.

Looking ahead, a persistent downturn across seed, early- and later-stage investments could impact the quantity and quality of Canadian start-ups, limiting their ability to scale and bring innovations to the market.

AI captured a third of the market

Over half of all VC investments in Canada (57%) went towards the information and communication technology (ICT) sector last year. Life sciences and the energy and clean technology (ECT) sectors came second and third in investments. ECT lost 4% in market share, potentially in anticipation of the new U.S. administration's pullback from clean energy.

AI hit a new high, commanding 30% of all VC investments.[3] Increased adoption across various industries indicates that AI is well positioned to drive innovation and value creation in the years ahead.

Risk of foreign capital pulling back

The Canadian ecosystem continues to be strongly dependent on foreign capital. Foreign investors, particularly from the U.S., claim a greater portion of the investment share at later and growth-equity stages. Deals involving only Canadian investors accounted for 61% of the market, but only 22% of dollars invested.

U.S. investors contributed to a third of all deals by volume in 2024, on a downward trajectory. With the uncertainty around tariffs, there is an increased risk that foreign capital—including U.S. investments—will pull back from the Canadian market.

In this context, domestic investors have a critical role to play in capitalizing homegrown innovation and counterbalancing the dependency on foreign capital, notably U.S. capital.

[3] According to PitchBook data.

Executive summary (cont.)

Backing Canadian champions with Canadian capital has never been more important, especially when it comes to late-stage companies which might relocate or be acquired by foreign buyers in the absence of consistent domestic funding.

This is a key moment for the Canadian ecosystem to rise to the challenge and direct more capital towards domestic innovation.

Venture capital is a powerful innovation engine for economic growth, playing a critical role in job creation, productivity gains and competitiveness. Accelerating domestic investments will not only help Canada weather the current trade and economic turmoil, but it will also help us drive long-term prosperity and growth.

Sliding returns and low market liquidity

Exit activity through M&As remained weak, except for a few big-ticket deals, while the IPO drought continued.

Only 7% of Canadian unicorns exited in 2024. This created a tough market, with significant capital locked in, while potentially awaiting more favourable conditions or strategic opportunities to realize returns.

As a result, secondaries became a popular option for market liquidity, allowing investors to sell their stake in a portfolio company to another buyer. If this trend continues, it will help increase liquidity and attract new investors into the ecosystem.

Canada's net 10-year internal rate of return (IRR) dropped to 10%, widening the gap with the U.S. If the industry's net returns continue to deteriorate and fall into the single digits, institutional investors may shift their allocation to other asset classes, constraining funding for both General partners (GP) and entrepreneurs.

Lacklustre M&A activity is making it harder for GPs to generate distributed to paid-in capital (DPI) for their investors, affecting future fundraising activity.

Adequate available capital and sharp rise in up rounds

The GP landscape continued to evolve last year. The share of established managers expanded, while that of emerging managers contracted. This could become worrisome, given the essential role that emerging managers play in the ecosystem. Nevertheless, the funds-of-funds stream announced in the renewed 2021 Venture Capital Catalyst Initiative (VCCI) could help mitigate this challenge since one of its mandates is to support emerging fund managers. Market liquidity constraints were reflected in the low amount of dollars raised: just $2 billion across 17 funds.

Despite the scarcity of liquidity, dry powder—the amount of committed, but unallocated capital a VC manager has on hand—remains adequate for the market's needs in the near term. Canadian-headquartered VC investors are currently sitting on $11.5 billion of dry powder, which means that investors have reasonable capital availability to deploy in the near future.

Dry powder remains adequate for the market's needs in the near term

Amid this rather bleak context, the bright spot was a substantial increase in up rounds and a notable decline in down rounds within BDC's direct portfolio. This means that more start-ups are raising funds at higher valuations, which suggests some positive momentum in valuations.

VC investment in Canada: A mixed picture

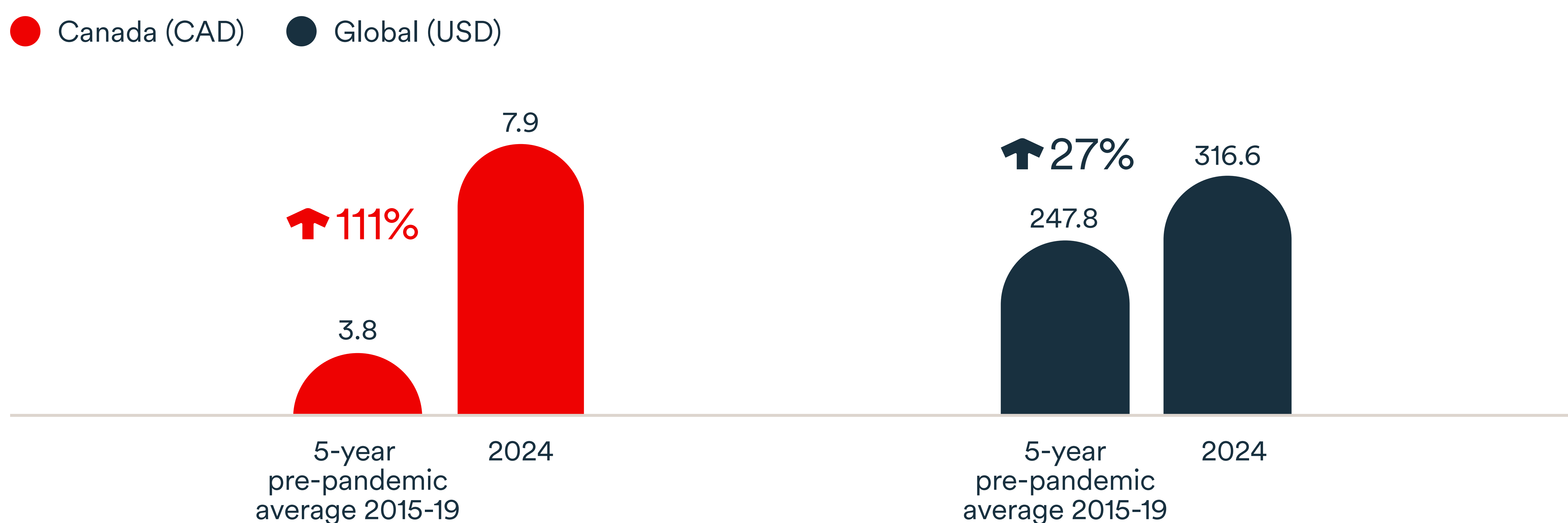
10% increase in VC funding after a two-year decline

With $7.9 billion invested, VC funding bounced back in 2024, posting a 10% increase after two years of decline. Even if we remove Vancouver-based legal tech company Clio's $1.24 billion outlier deal from the calculations, Canadian VC-backed companies still raised only 6% less in 2024, a stark contrast to the 30% declines recorded in 2022 and 2023.

The Bank of Canada cut interest rates five times in 2024, from 5% to 3.25%, which pumped some optimism into the VC market.

Furthermore, when comparing 2024 investment levels to pre-pandemic levels (2015-19), we note a substantial 111% increase in Canadian VC activity (Figure 1), well above the growth of VC investment around the world, which increased by only 27%. Global VC investment activity spans early-stage, emerging and established markets, reflecting its large and diverse scale. Combining different growth rates for these markets makes the resulting average more difficult to compare with the growth rate of a single market. This is why the increase in Canada's VC activity can seem more significant when compared to the global VC investment activity.

Figure 1: Canadian versus global VC investment growth from the pre-pandemic period to 2024 ($ billions)



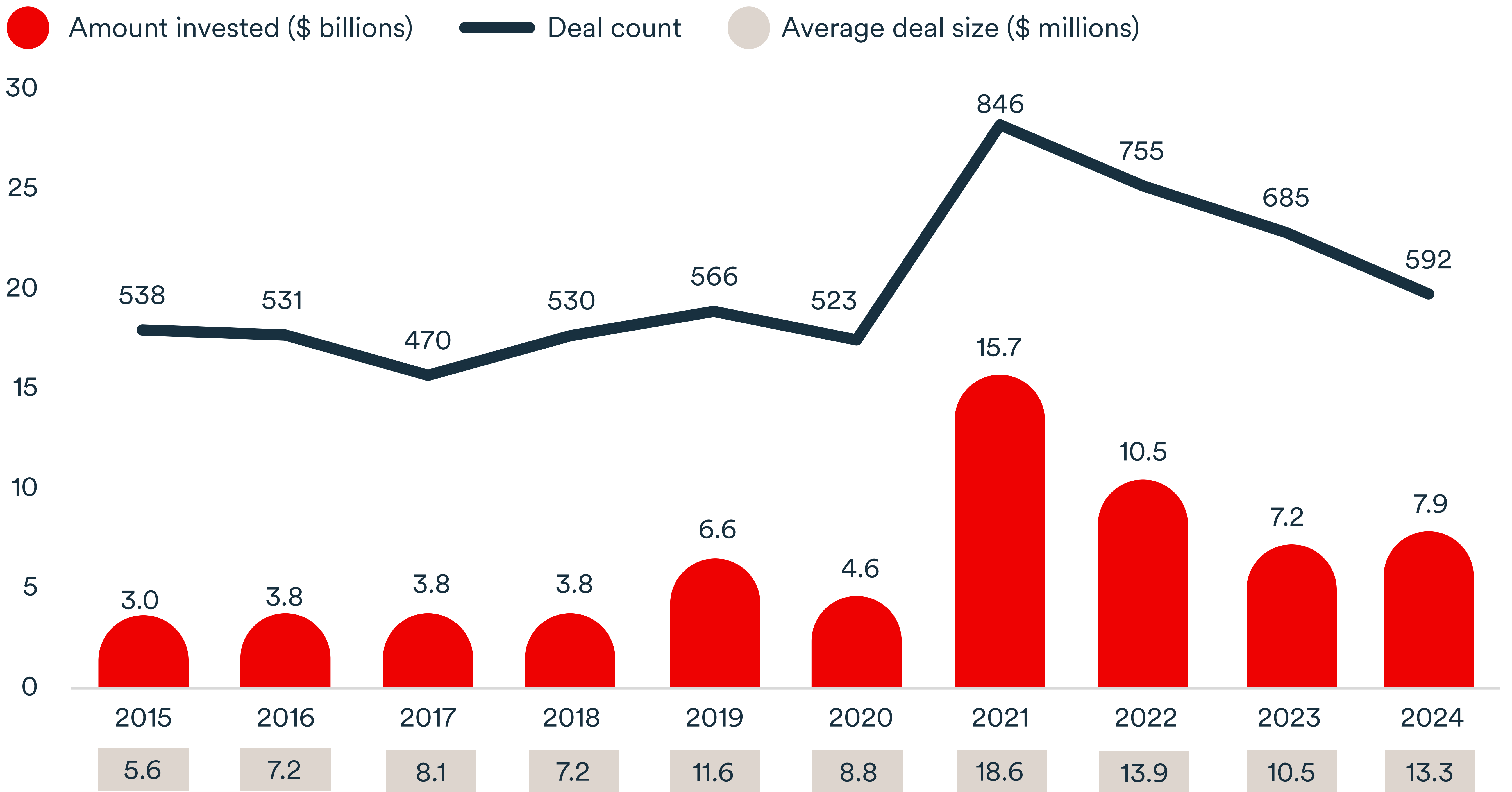
Sources: CVCA, Crunchbase, BDC analysis

Fewer deals, but larger checks

In 2024, the number of transactions declined by 13.6% to 592 in Canada, reverting closer to the pre-pandemic average of 527 deals a year.

Fewer deals and larger checks pushed the average deal size to $13.3 million, 27% higher than the 2023 average. Even without Clio, the average deal size surpassed the 2023 average, suggesting that investors targeted higher-quality deals to cautiously maximize returns and minimize risks.

Figure 2: Evolution of VC activity



Sources: CVCA, BDC analysis

Higher dependency on foreign capital for larger deals

Foreign investors took part in 39% of all Canadian deals in 2024, representing 3% lower share compared to the previous year. Their participation in Canadian deals has been constantly declining since 2022. In terms of dollars invested, foreign investors in syndicate with Canadian investors accounted for 78% of all deals.

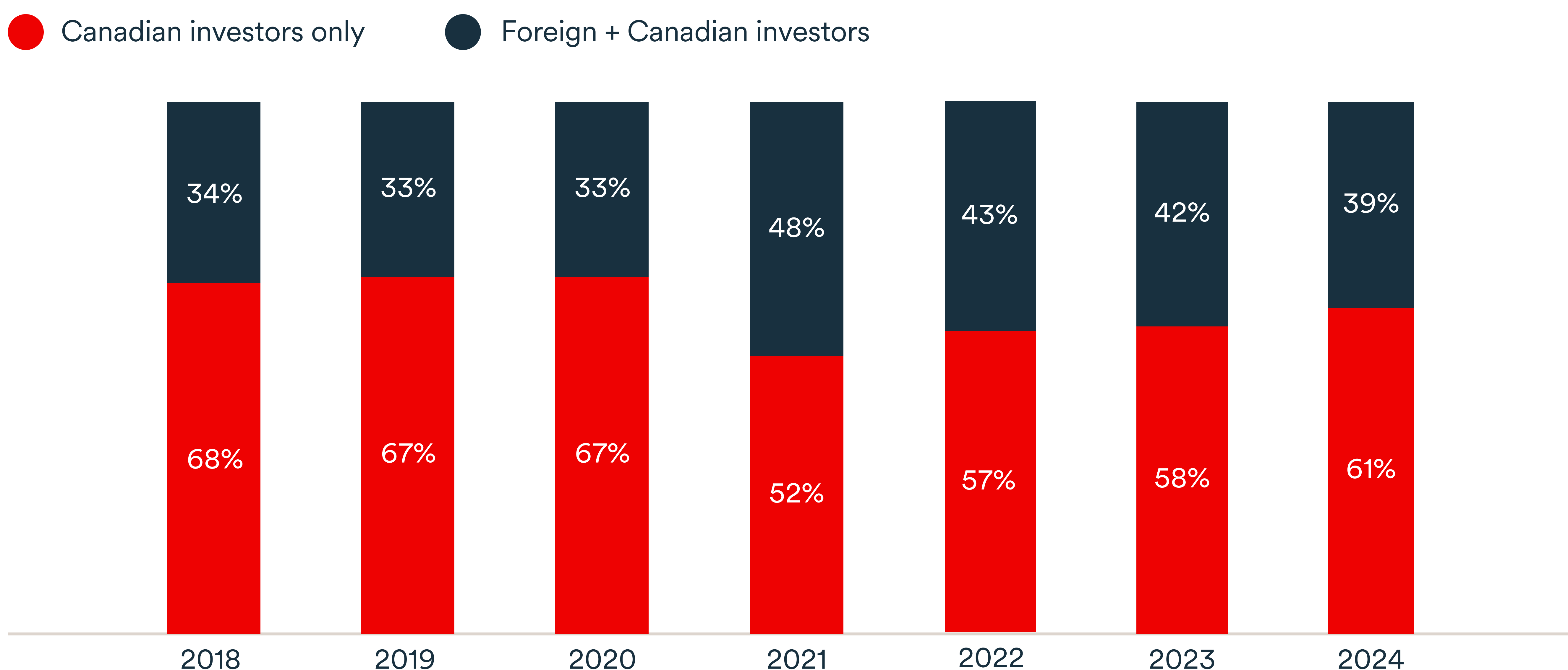
Deals involving only Canadian investors made up 61% of transactions but only 22% of the total deal value, suggesting that Canadian-only deals tend to have lower average deal sizes than deals with foreign participation. Across stages, Canadian-only deals accounted for 40% of seed-stage rounds, 20% of early-stage rounds, 16% of late-stage rounds and 14% of growth-equity rounds.[4]

[4] "Analysis: Foreign Investor Participation in the Canadian VC Ecosystem," CVCA, March 20th, 2025, https://central.cvca.ca/analysis-foreign-investor-participation-in-canadian-vc-ecosystem

Unsurprisingly, given the deeper local knowledge and connections required for early-stage ventures, foreign investors are more active in later-stage rounds, while Canadian investors are more involved in early-stage deals.

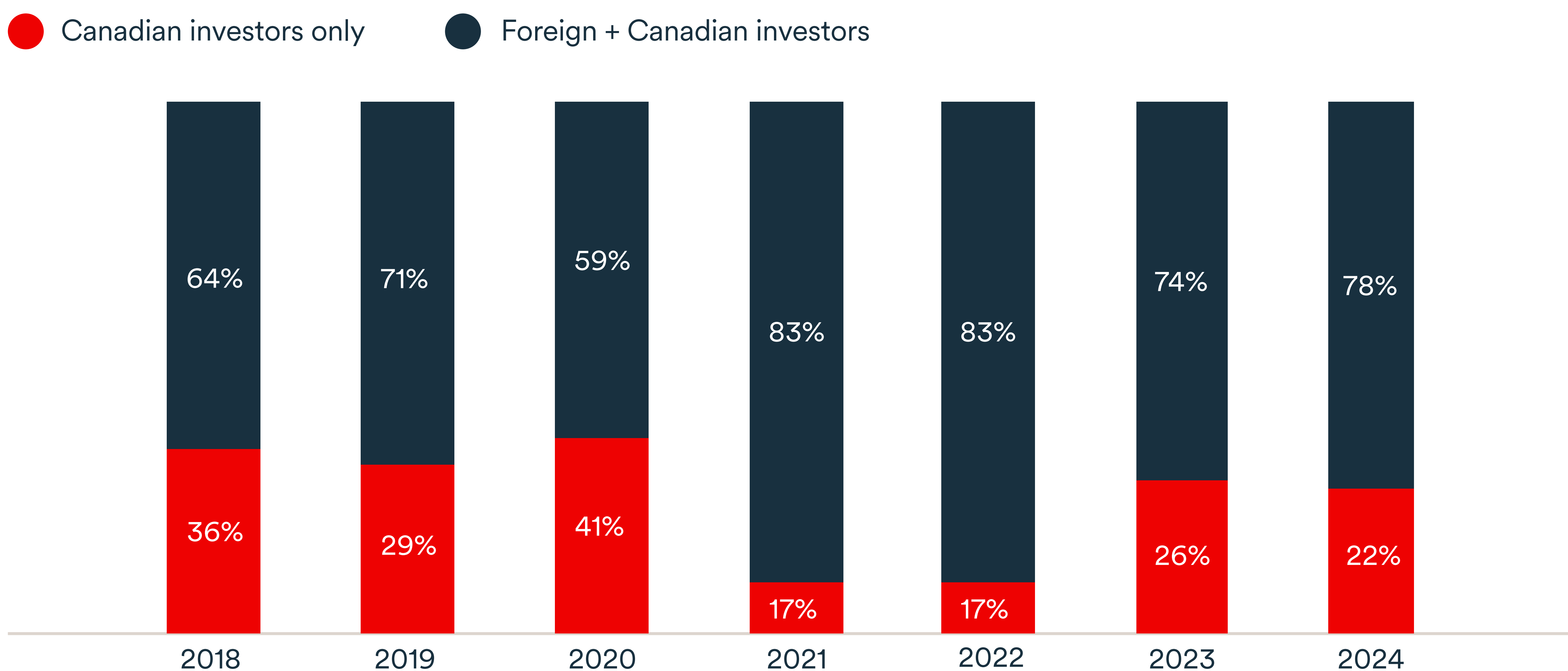
Foreign investors, particularly those from the United States, account for a significant share of the VC investment in Canada. Anecdotaly U.S. investors tend to command over 50% of the deal size. Based on this estimate, U.S investment accounts for 40% of the total VC investment in Canada. This indicates an increased dependence on U.S. capital compared to the period before the pandemic—when U.S. investors contributed around 30% of the total deal value.

Figure 3: Foreign and Canadian investor participation, by deal count



Sources: CVCA, BDC analysis

Figure 4: Foreign and Canadian investor participation, by dollars invested



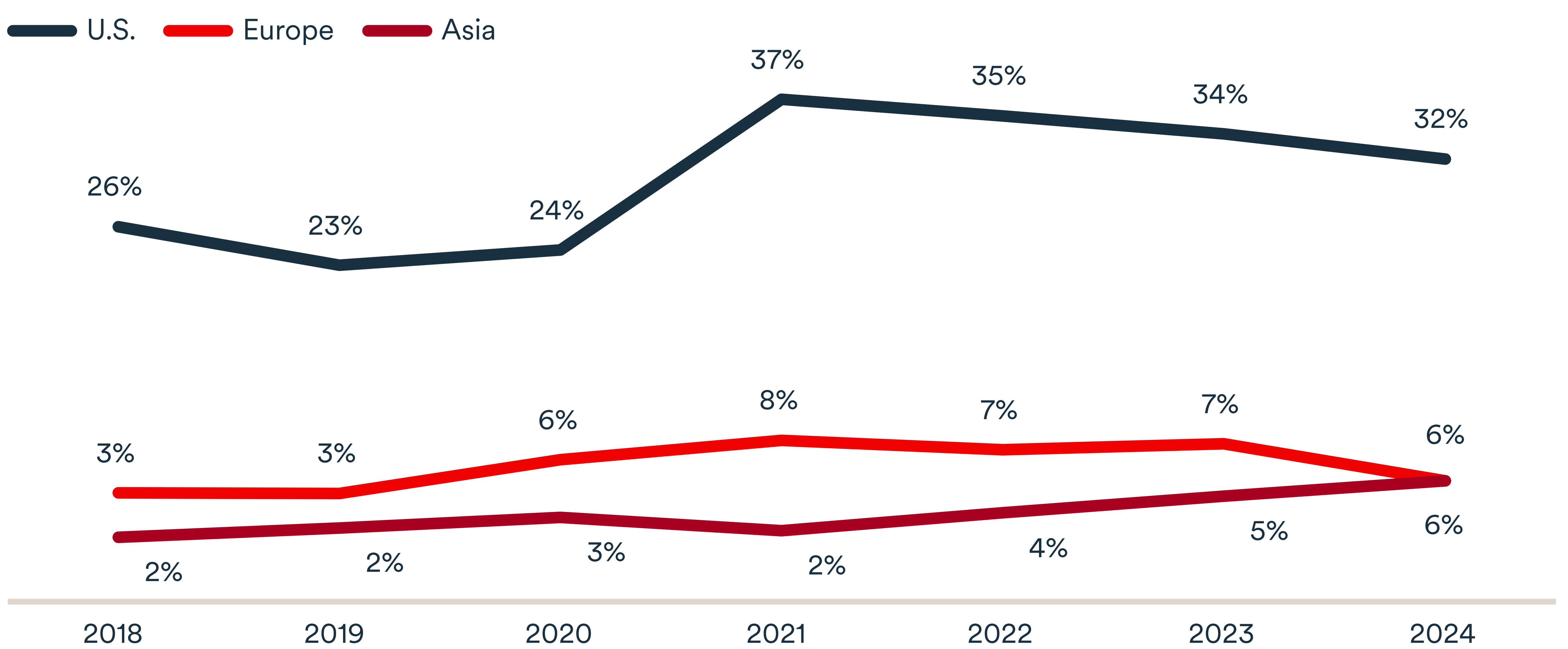
Sources: CVCA, BDC analysis

U.S. remains the most active foreign investor

The U.S. continued to be the most active investor in Canadian VC in 2024, despite a slight decline over the past few years. U.S. investors participated in 32% of the deals.

European investor presence remained relatively stable, while Asian participation has gradually increased to reach 6% in 2024. This is the highest level in recent years, indicating growing interest from Asian investors for the Canadian market.

Figure 5: Breakdown of foreign VC investors in Canada (by deal count)



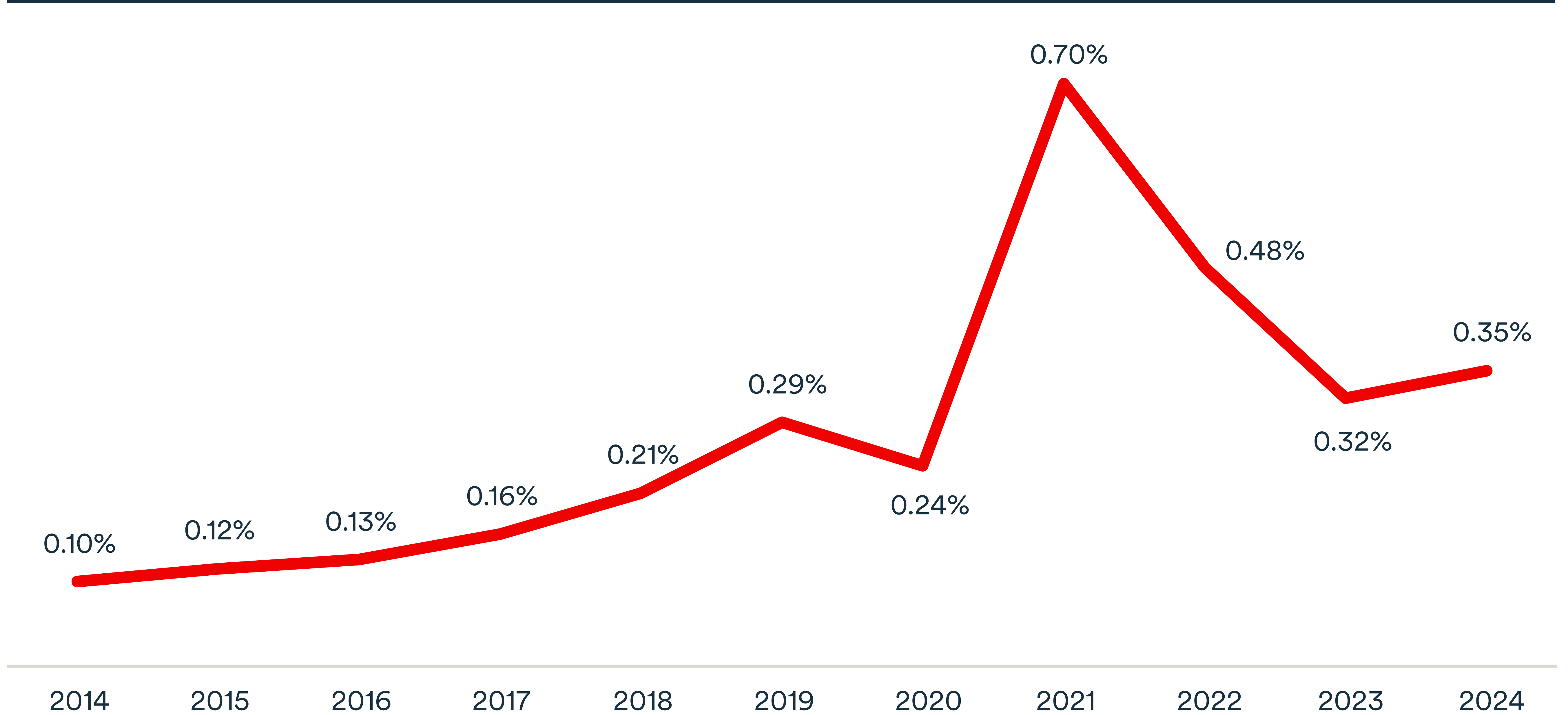
Sources: CVCA, BDC analysis

Canadian VC to GDP ratio saw an uptick

Canadian VC investments as a share of GDP grew steadily until 2019, contracted in 2020 due to the onset of pandemic, and surged in 2021 with record low interest rates.

After a two-year decline, it now appears to have stabilized and resumed growth at a level higher than before the pandemic. VC investments as a share of GDP in Canada reached 0.35% in 2024 (Figure 6).

Figure 6: VC investment as a share of GDP in Canada



Sources: PitchBook, OECD, BDC analysis

Canada moved up two spots and now ranks 6th among a sample of OECD nations for its share of VC investment to GDP, just above the median (Figure 7). This was driven by slightly lower GDP growth but higher total venture capital investments in 2024.

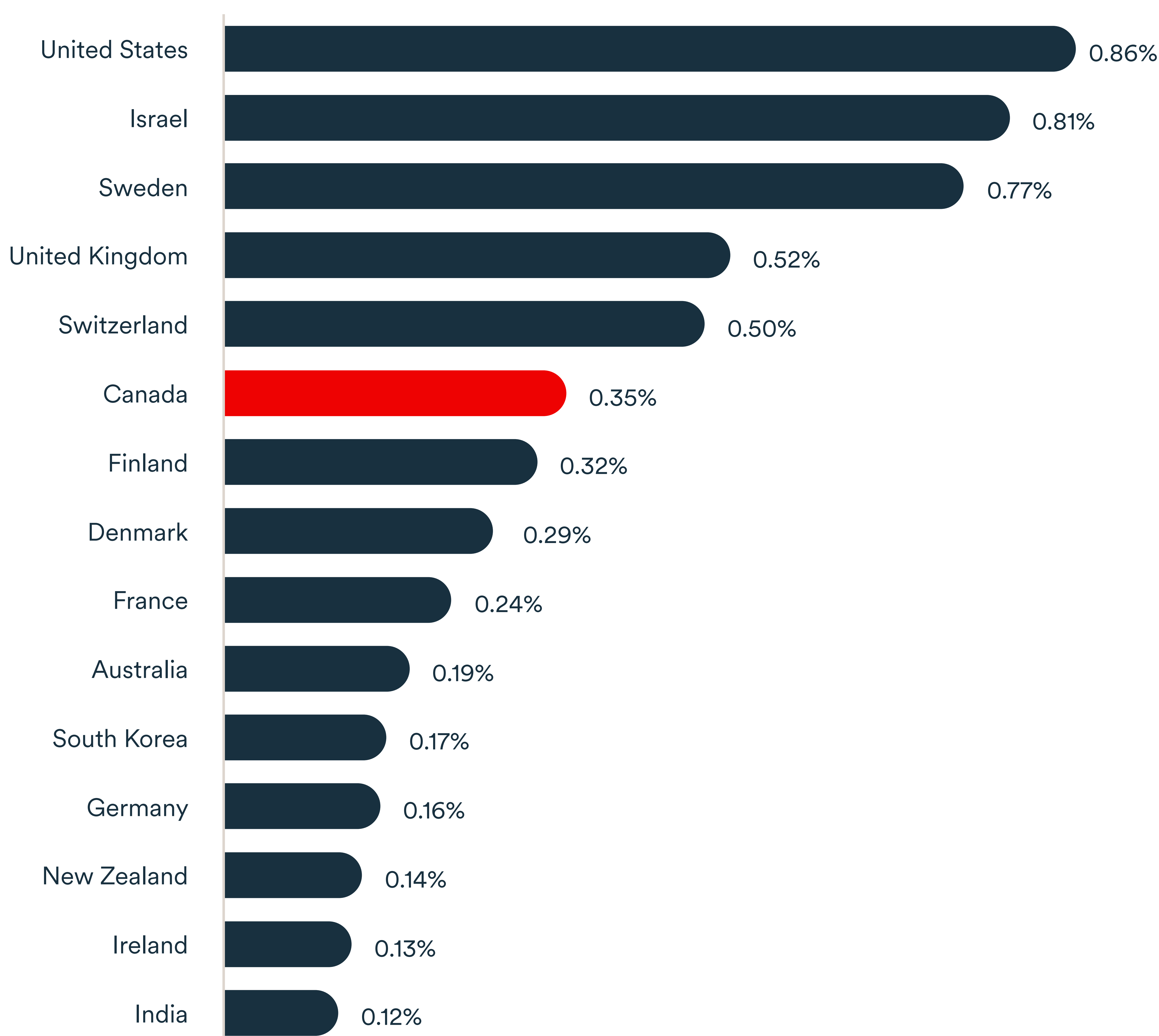
Changes in venture capital investments as a percentage of GDP varied significantly across OECD countries last year. The U.S. has been leading the way by a large margin, followed by Sweden and Switzerland. Canada, too, was among the top players (Figure 8).

Ireland and Israel suffered the most significant decreases, losing nearly half their VC investments as a share of GDP.

Venture capital's increasing importance to GDP underscores its vital role in the economy as a growth stimulator. A strong VC ecosystem contributes to creating wealth, powering innovation and job creation, and advancing a country's competitiveness and prosperity.

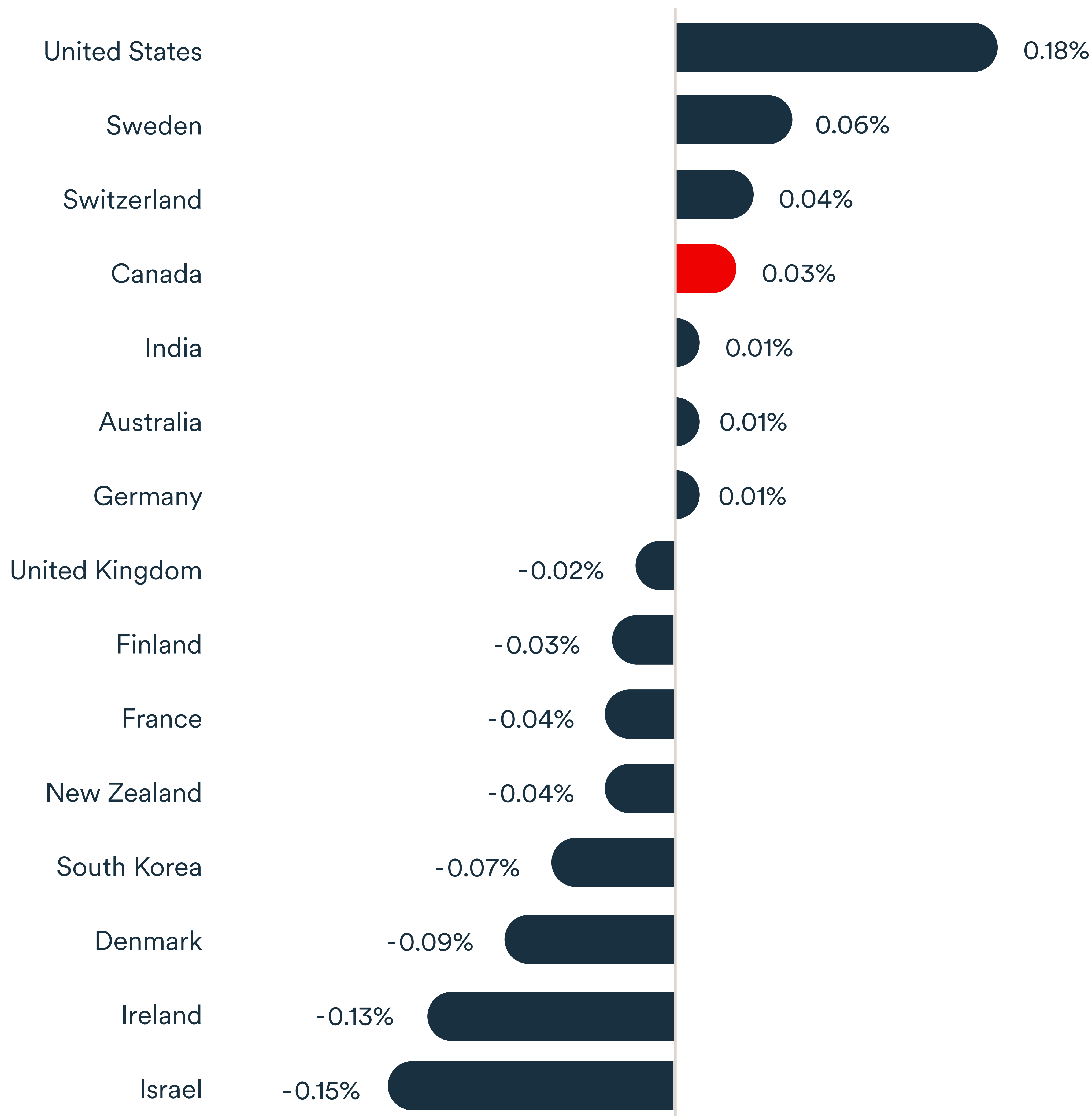
Historically, the growth of VC investments has been correlated with GDP growth. As a result, the trajectory for VC's share of GDP will depend on macroeconomic evolutions and their impact on the VC ecosystem and investor appetite.

Figure 7: VC investments as a share of GDP in the OECD, 2024



Sources: PitchBook, OECD, BDC analysis

Figure 8: Change in VC investment as a share of GDP, 2023 to 2024



Sources: PitchBook, OECD, BDC analysis

86% of VC activity is concentrated in three provinces

Ontario, British Columbia and Quebec cumulatively accounted for 86% of total VC activity by value last year, up from 77% in 2019. This trend is similar in terms of number of deals across the regions.

With 32% of dollars invested and 43% of deals, Ontario continues to lead Canadian VC activity.

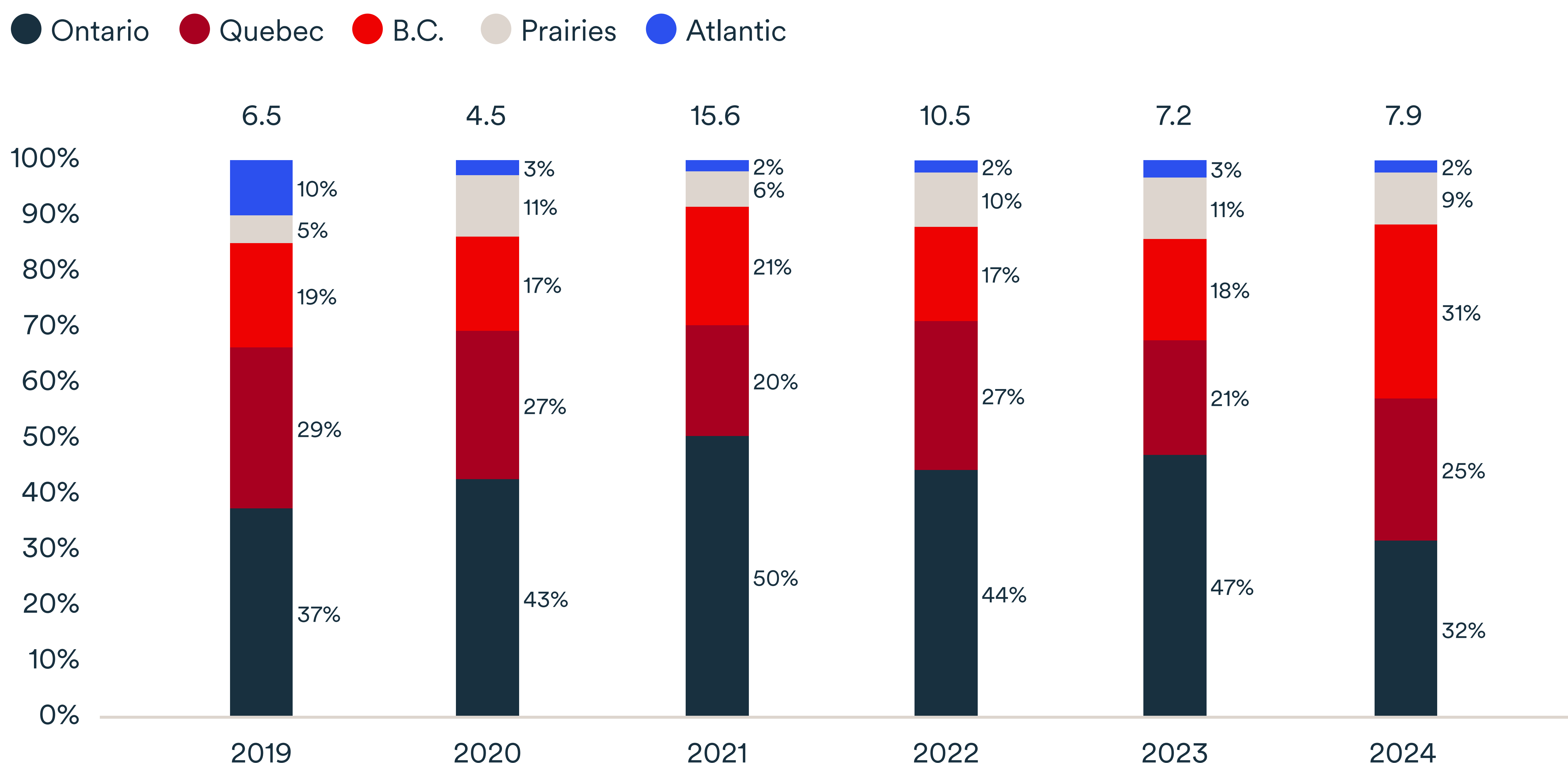
British Columbia came second, outpacing Quebec and almost matching Ontario in terms of dollars invested. This was primarily driven by the Clio mega deal. Activity in the Prairies was also promising, primarily fueled by the strong momentum in Alberta's investment community.

Looking at the five-year compound annual growth rate (CAGR), the Prairies grew at 40%, followed by British Columbia at 28% and Ontario at 13%.

Quebec's five-year CAGR growth was flat at 0.3% after spikes in activity in 2021 and 2022. This is largely the result of weak exit activity in the province, with funding rounds closing at a slower pace.[5]

Investment networks thrive on connections. In some of these regions, there's a dense network of VCs, angels and successful entrepreneurs who contribute to increased investment activity. Smaller regions, such as Atlantic Canada, lack this critical mass, making it harder for start-ups to access funding. Investors often prefer to invest where they have existing relationships and perceive start-ups outside major hubs as riskier, associating proximity to established markets and talent pools with increased chances of success.

Figure 9: Regional VC activity, by dollars invested



Sources: CVCA, BDC analysis

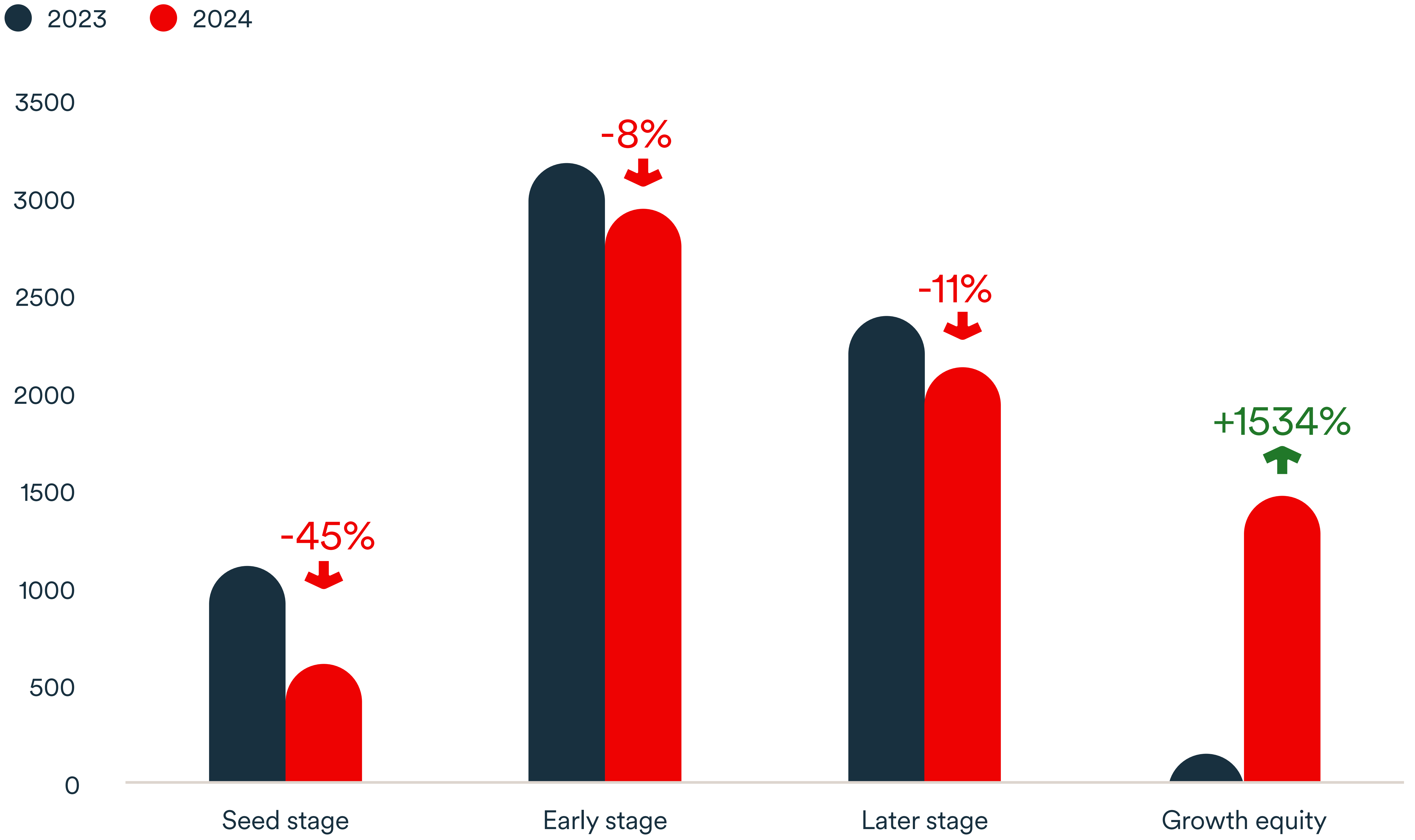
Decline across all stages except for growth equity

VC activity fell across all stages except for growth equity (Figures 10 and 11). Seed investments were the most affected, with a 45% decrease in capital invested and an 18% drop in the number of deals. Early and later stages saw more moderate drops in capital invested and in deal count.

Growth equity was the biggest winner and recorded the most notable shift from the previous year, with a 15-fold increase in capital invested across eight deals. Clio's Series F accounted for 84% of the total $1.5 billion of growth equity capital invested in 2024. Even if the Clio deal is excluded, growth equity still delivered a strong performance, jumping from $91 million to $240 million invested. This increase comes after a particularly bad year for growth equity investments, which had declined 96% in 2023.

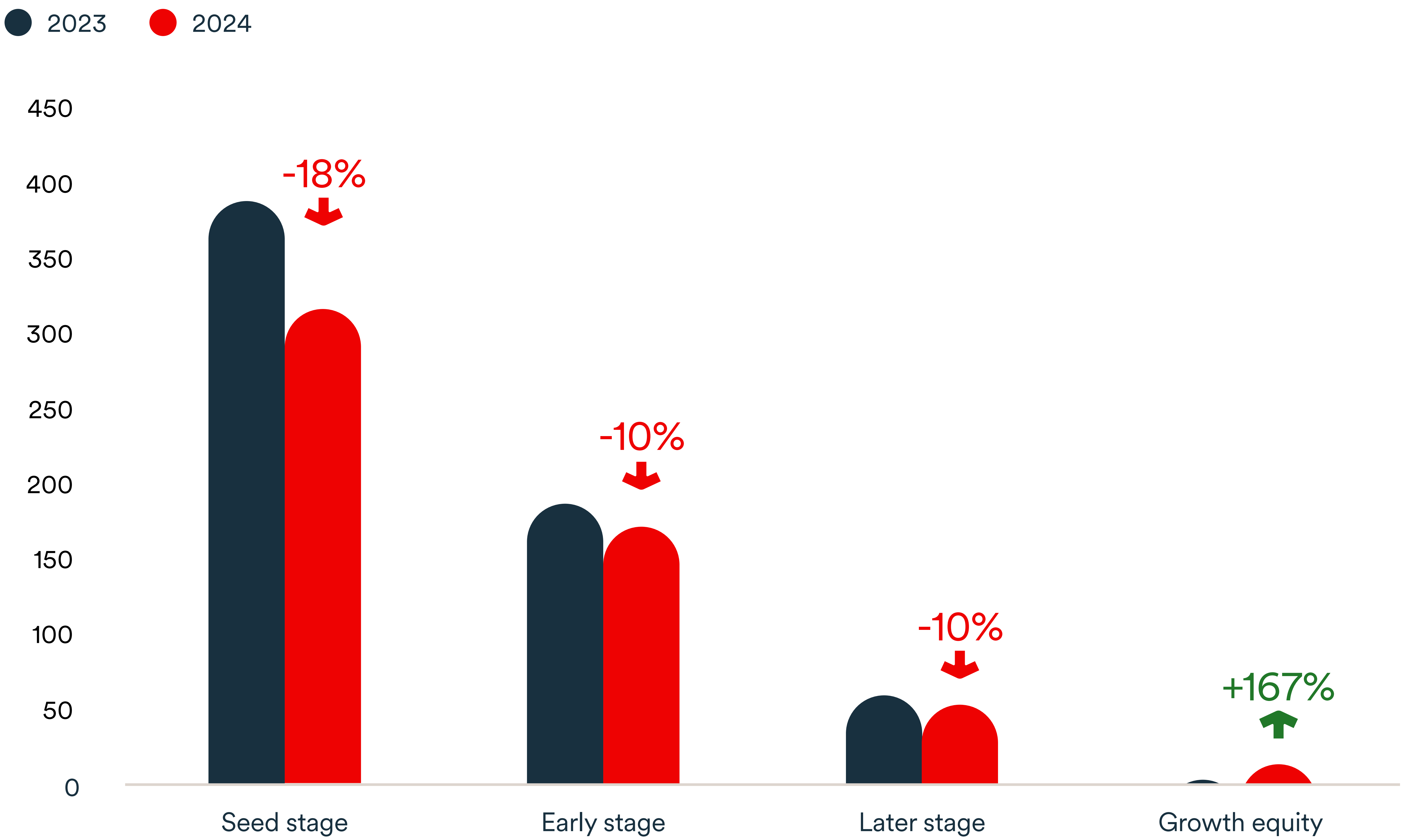
[5] Réseau Capital, Quebec Venture Capital and Private Equity Market Overview: Q3-2024. Montreal: Réseau Capital, 2024), Report. https://reseaucapital.com/en/news/overview-of-the-quebec-venture-capital-and-development-capital-market-for-q3-2024/

Figure 10: Capital invested, by stage



Sources: CVCA, BDC analysis

Figure 11: Deal count, by stage



Sources: CVCA, BDC analysis

Life sciences gaining market share; ECT losing ground

The ICT sector remained dominant, commanding more than half of all the dollars invested (57%) in 2024, followed by life sciences (18%) and the ECT sector (16%).

Investment in the ICT sector is concentrated in the Internet software and services area, which accounted for 76% of total ICT investment, the highest share recorded since 2013.

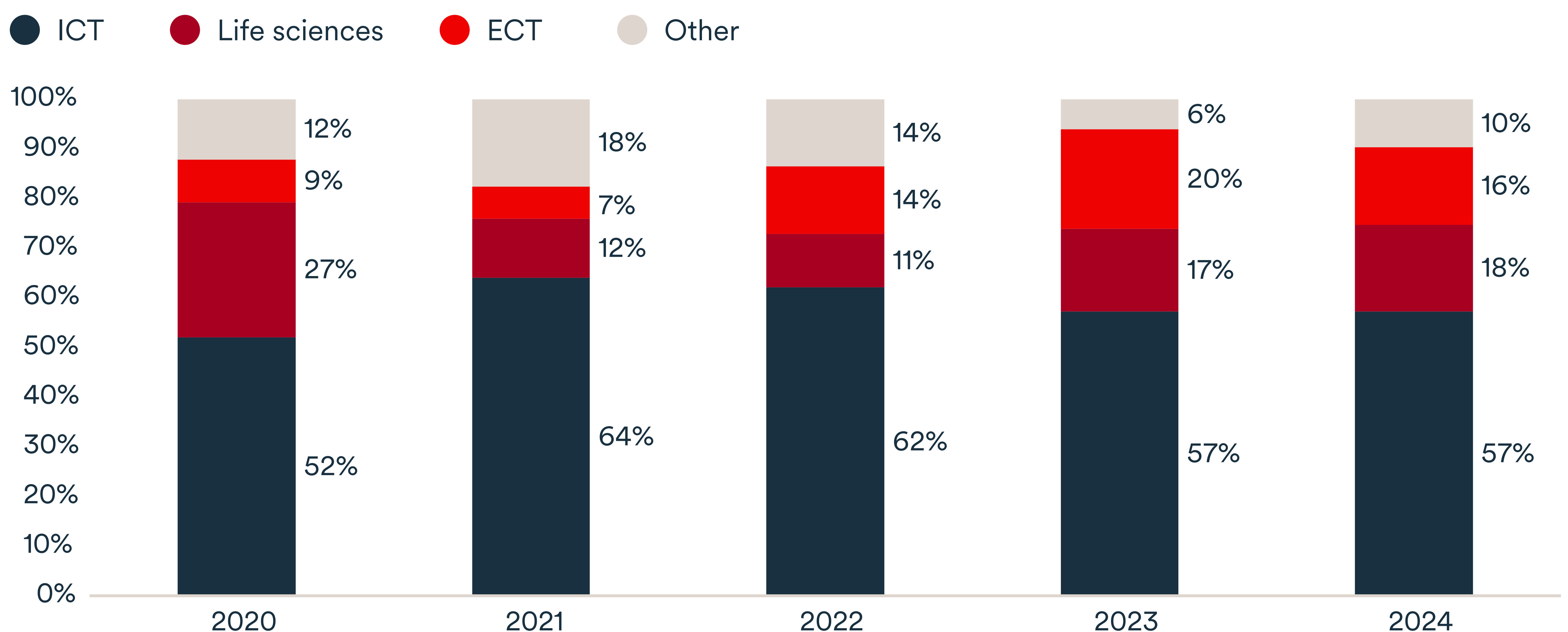
The life sciences sector gained 1% in market share last year, with the rise of AI-driven drug discovery, remote patient monitoring and next-generation diagnostics fueling capital inflows into the space. Sub-sectors such as e-health, medical devices, therapeutic drugs and biologics continued to attract investments.

The ECT space lost 4% in market share last year. However, investors' interest in alternative energy equipment has surged, reflecting a broader shift towards sustainable innovation and regulatory support for clean energy solutions. This sub-sector accounted for 35% of ECT investments in 2024.

The average deal sizes were higher for ECT and life sciences companies when compared to 2023, as deal volumes contracted. For the ICT sector, the deal sizes were in line with the previous year, after adjusting for Clio's outlier deal.

The ECT sector posted the highest average deal size at $12.4 million, followed by the ICT sector, with an adjusted deal size of $12 million, and life sciences at $11.3 million.

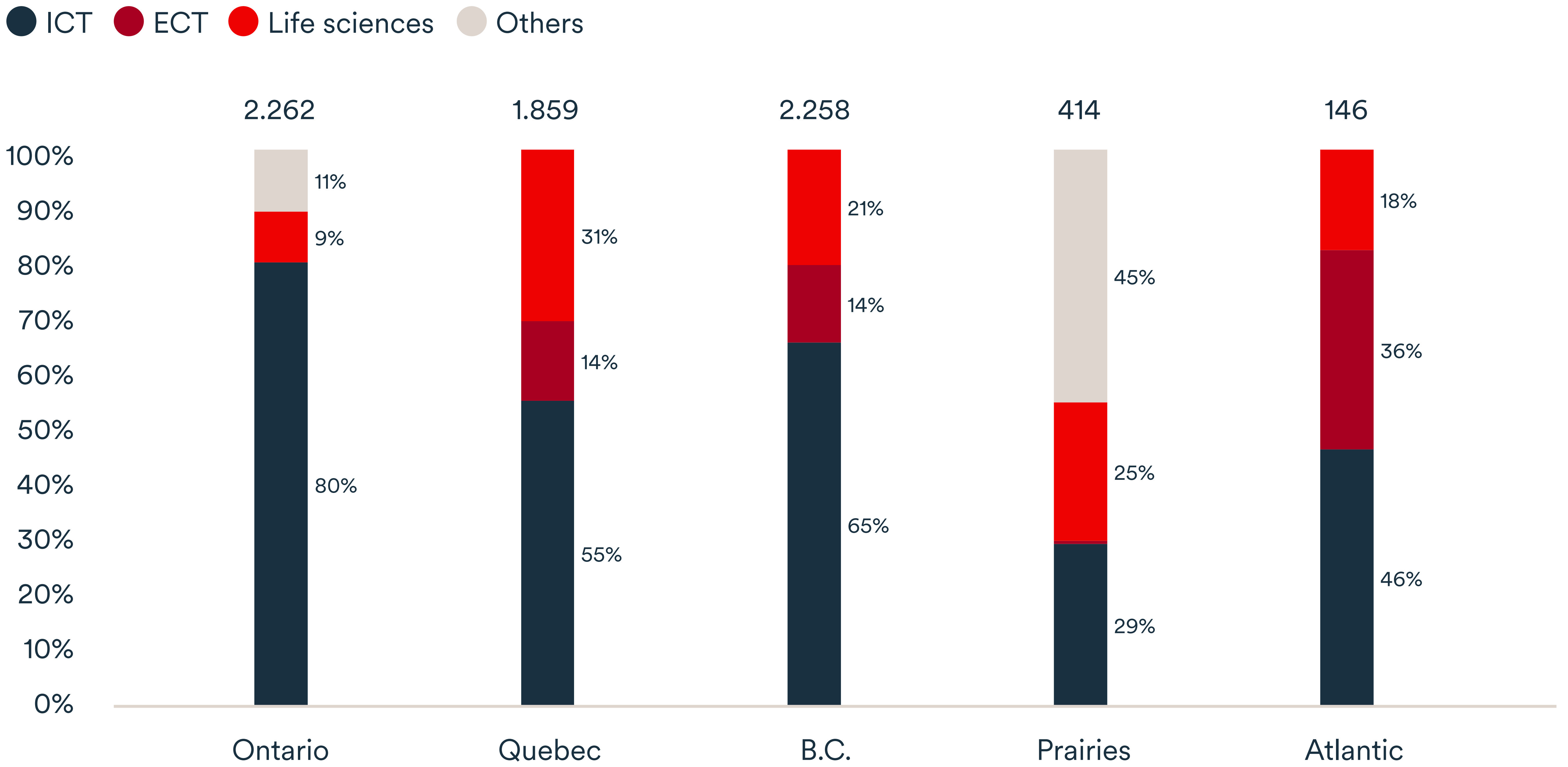
Figure 12: VC investment activity, by sector (dollars invested)



Sources: CVCA, BDC analysis

In Ontario, eight out of every 10 dollars went to the ICT sector. Companies in the life sciences sector continued to attract significant investments in Quebec, particularly in healthcare and biotechnology. Continuing the trend of previous years, ICT was the leading sector in almost all regions.

Figure 13: Regional VC activity, by sector, 2024 ($ millions invested)



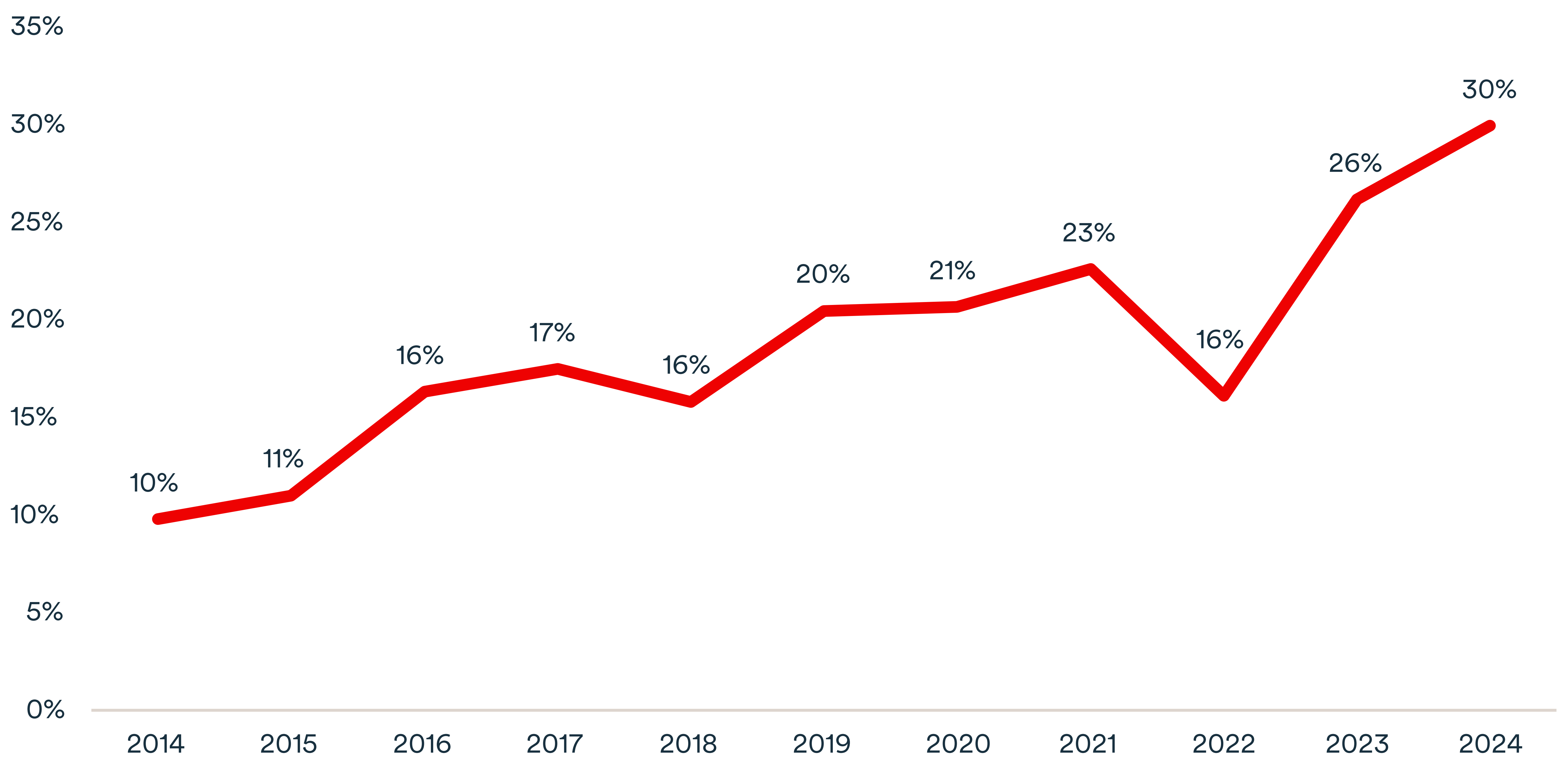
Sources: CVCA, BDC analysis

AI secured one third of investments

Investments in AI companies reached a new high in 2024, amassing 30% of Canada's VC investments[6] after a decade of volatility.

Despite the overall increase, a significant portion of AI investments remains concentrated in a few leading firms. More than half of total investments in AI was directed at two companies: Cohere and Tenstorrent, both from Ontario.

Figure 14: Share of Canadian VC investments in AI companies



Sources: PitchBook, BDC analysis

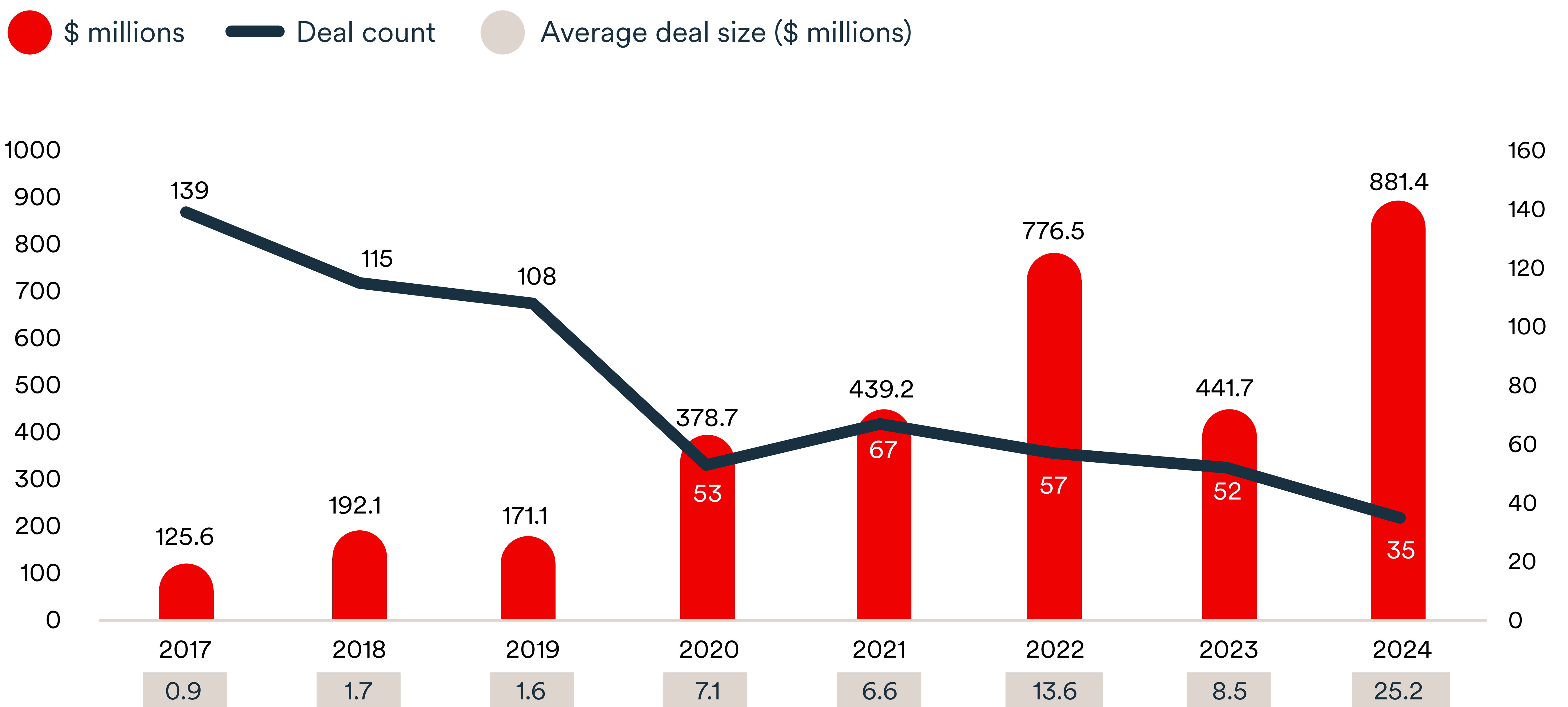
[6] According to PitchBook data for VC investments based on value.

A few big-ticket deals drove venture debt to record levels

The value of venture debt deals peaked at its highest level in eight years, reaching $881.4 million, while the deal count hit a low, with only 35 deals for the year. Six of these deals accounted for 38% of total venture debt value, indicating larger deals focused on fewer companies. Considering their larger size, these deals are likely with late-stage companies commanding higher valuations and looking to bridge the round with venture debt to avoid a potential down round.

Fewer deals and bigger cheques have been a persistent trend in the ecosystem since 2020, contrasting with the 2017-19 period marked by a higher volume of venture debt transactions.

Figure 15: Venture debt in Canada



Sources: CVCA, BDC analysis

Prolonged exit activity slowdown

Except for a few big-ticket deals, exit activity remained limited in 2024. The value of M&A deals nearly halved last year, though deal volume was steady (Figure 16). Three quarters (74%) of M&A value came from one deal—Astra Zeneca's acquisition of Fusion Pharma which was valued at $3.3 billion.

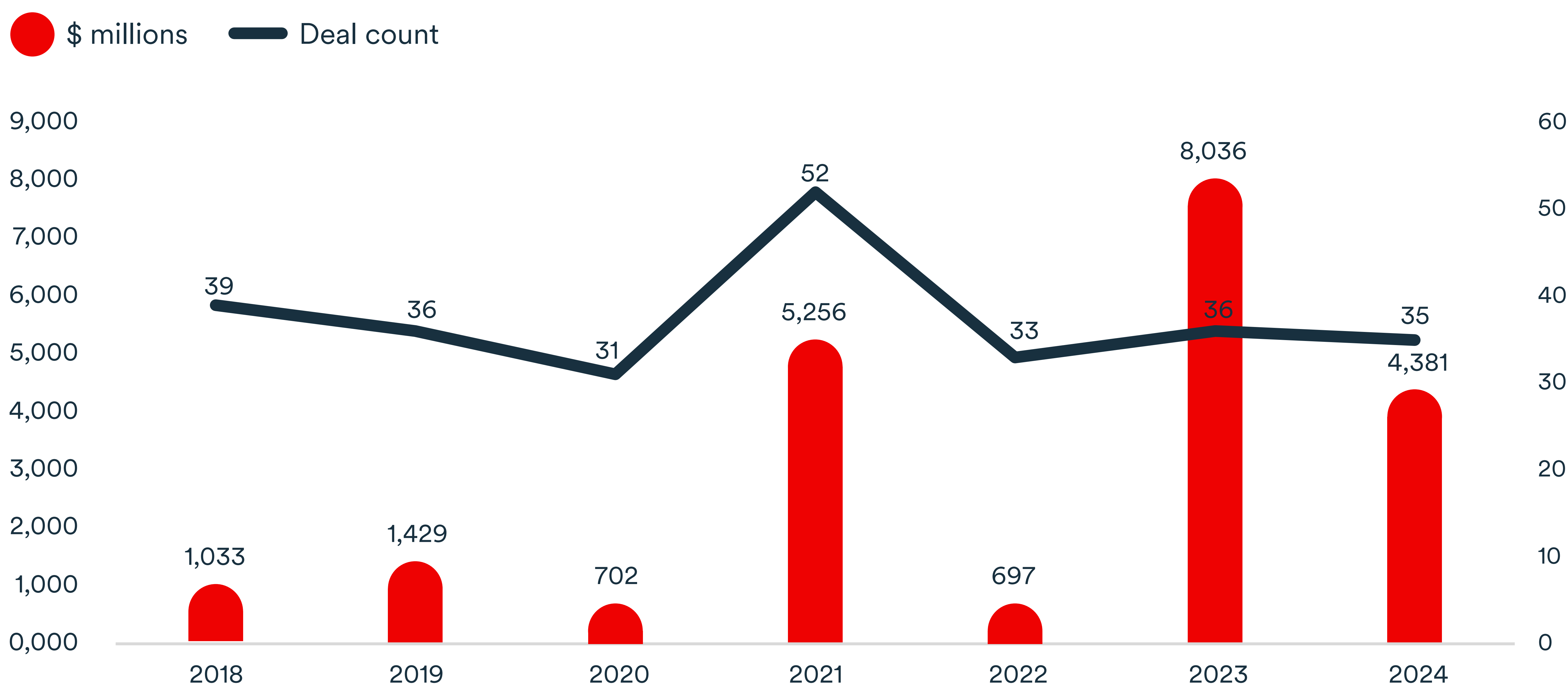
The IPO drought continued, with no VC-backed company making it to the public markets in 2024. After nearly a decade of historically low interest rates, leading to a peak in IPO listings in 2021, the technology IPO market collapsed in 2022. The slowdown has extended well into 2024 (Figure 17).

As a result, start-ups still face challenges in finding exit avenues near the same valuations recorded a few years ago, especially when it comes to going public.

Persistent sluggishness in the exit market could make LPs hesitant to invest in new funds, further slowing down the entire VC ecosystem.

Weak exit activity also means that limited partners (LPs) are distribution-starved. This is why secondaries have become a more popular liquidity option, allowing investors to sell their stake in a portfolio company to another buyer. In 2024, total disclosed secondary deals were valued at close to $800 million across five deals.[7]

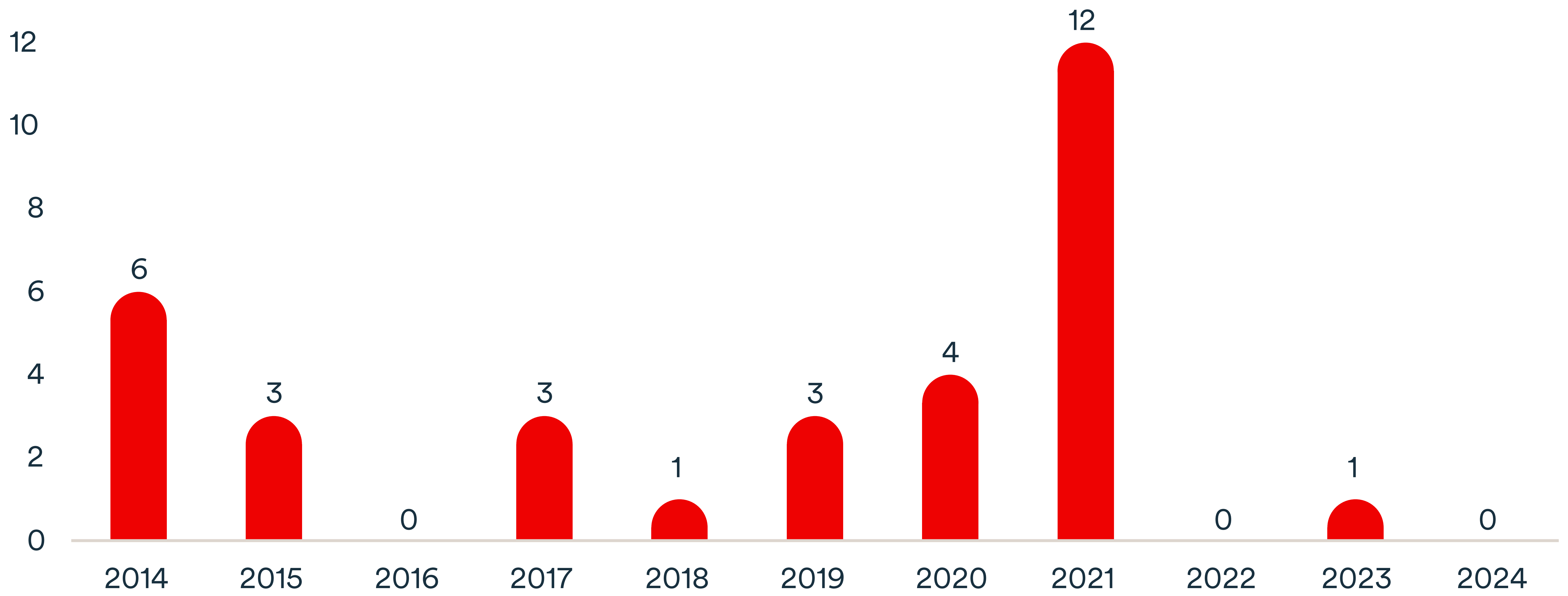
Figure 16: Evolution of the M&A market



Sources: CVCA, BDC analysis

[7] Source: CVCA

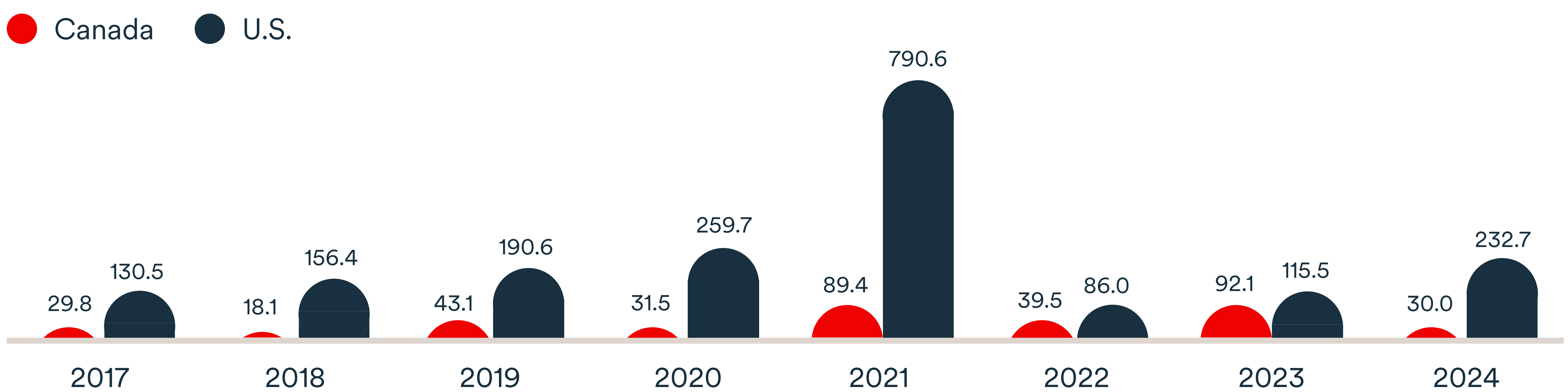
Figure 17: Number of VC-backed IPOs in Canada



Sources: PitchBook, BDC analysis

Median exit value decreased considerably due to unfavourable market conditions, reaching $30 million, the lowest level since 2021. Contrastingly, median exit value more than doubled in the U.S. in 2024. The U.S.'s larger VC market probably explains why they tend to have higher median exit values.

Figure 18: Canada vs U.S. median exit values ($ millions)



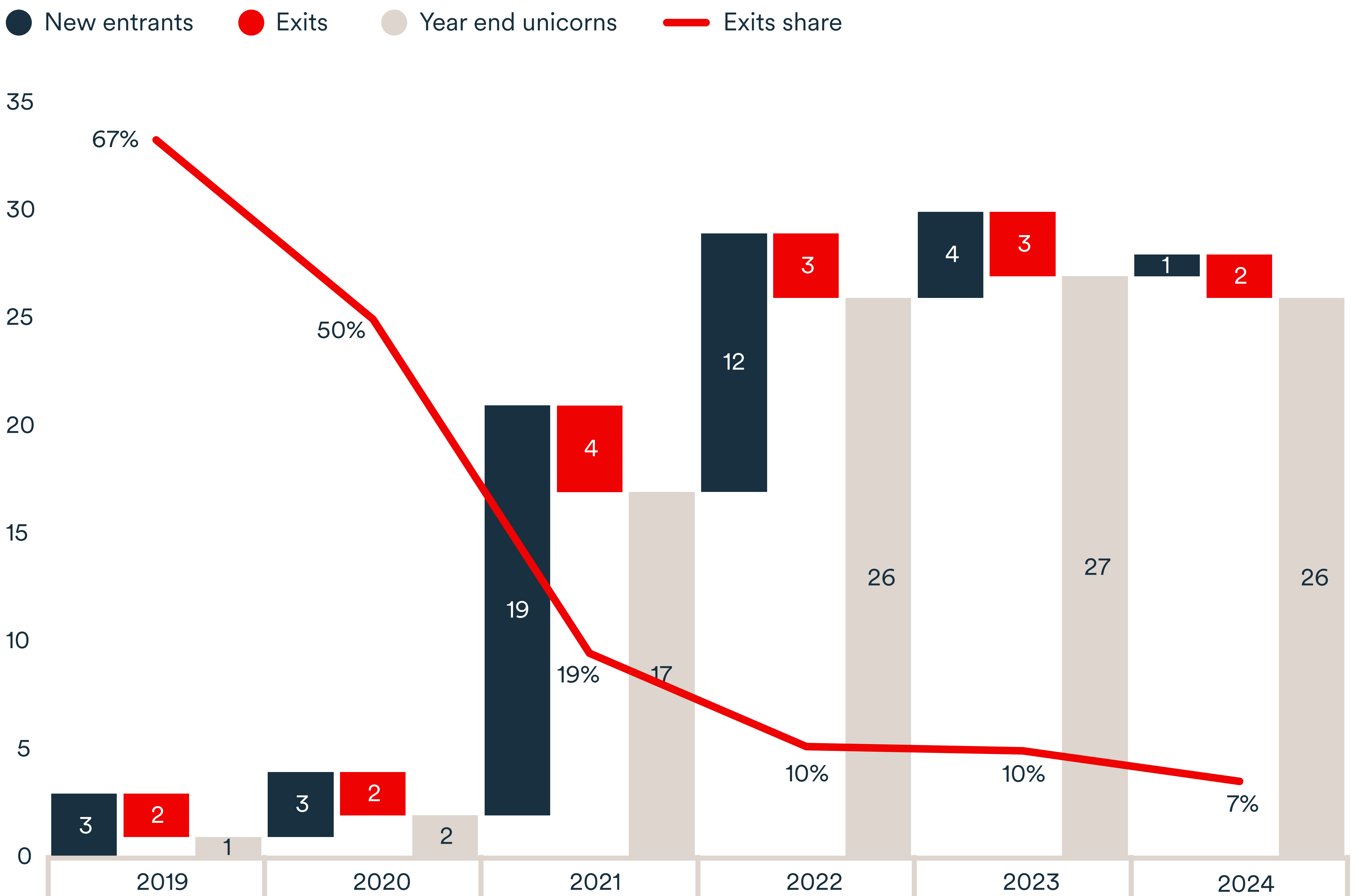
Sources: PitchBook, BDC analysis

Liquidity remains tied up in unicorns

The Canadian tech ecosystem experienced a significant surge in unicorns in 2021 and 2022. An all-time high number of Canadian start-ups achieved unicorn status in 2021 and this trend continued into 2022 when several companies reached the $1 billion valuation mark.

Despite this rapid growth, there have been relatively few exits, such as IPOs or acquisitions, among these unicorns. Companies are staying private longer. Our analysis shows that only 7% of Canadian unicorns exited in 2024, which suggests that a substantial amount of capital remains invested in these companies, potentially awaiting more favourable market conditions or strategic opportunities to exit.

Figure 19: Canada's cumulative unicorn count, new entrants and exits



Sources: PitchBook, BDC analysis

Note: Our analysis includes new unicorns (rounds with post-valuations of more than $1 billion). For each subsequent year, we add new entrants and carry over companies that did not have an exit activity in the previous year.

Struggling VC returns

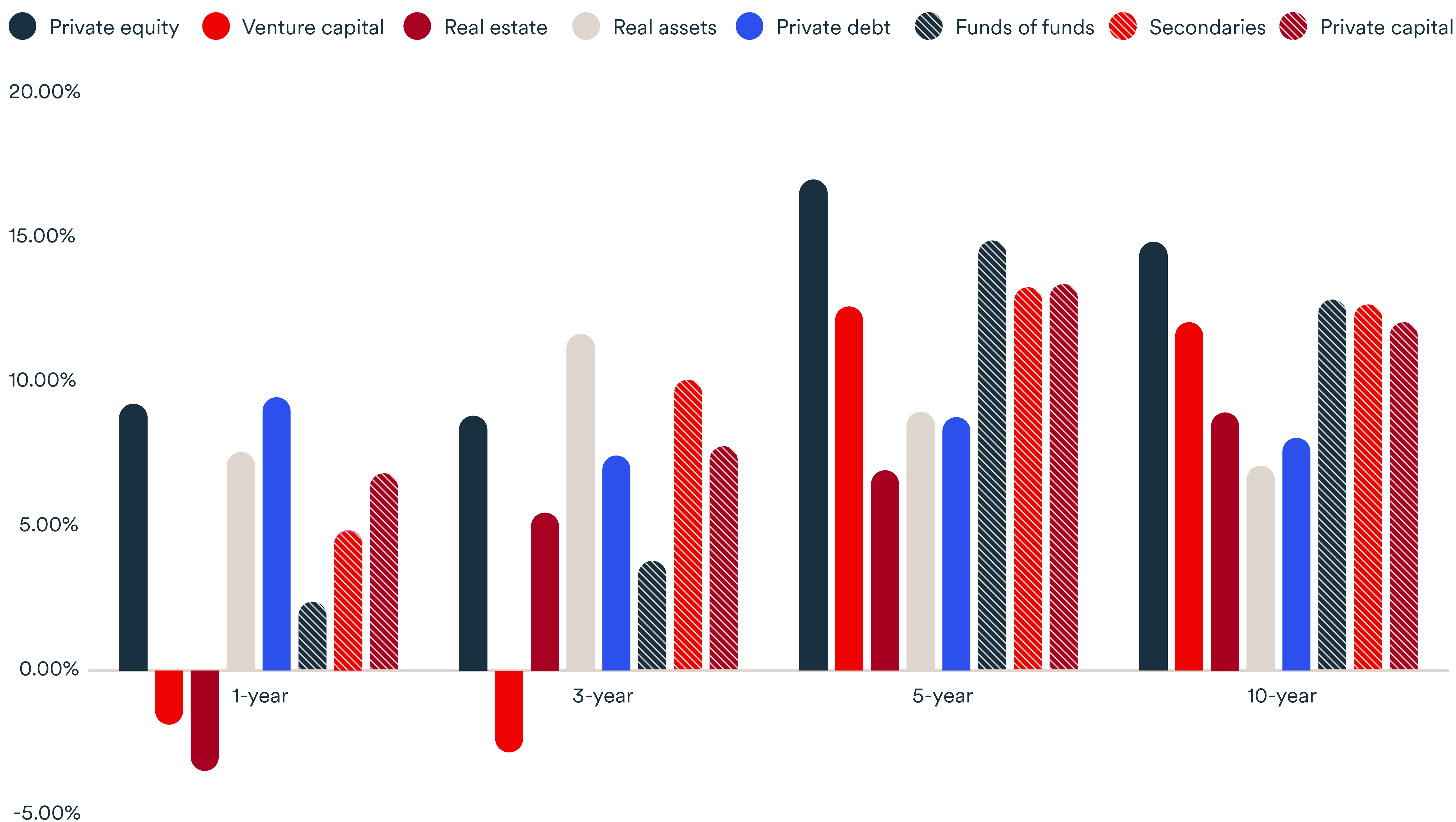
The performance of the VC asset class is declining

On a global scale, venture capital returns have been low compared to other private asset classes. The 1-year and 3-year global VC returns have been negative, primarily as a result of valuation adjustments after the 2021 bubble. Even with 5-year and 10-year VC returns still in the double digits, there is a strong possibility that 5-year returns will fall into single digits if valuations do not recover.

Among the global private asset classes, private equity stood out with the highest returns over the 5-year and 10-year periods.

Global 10-year VC returns ranked 5th amongst eight private asset classes, down from second best in 2023.

Figure 20: Global VC returns (IRR) compared to other private capital asset classes



Source: PitchBook, data as of June 30, 2024

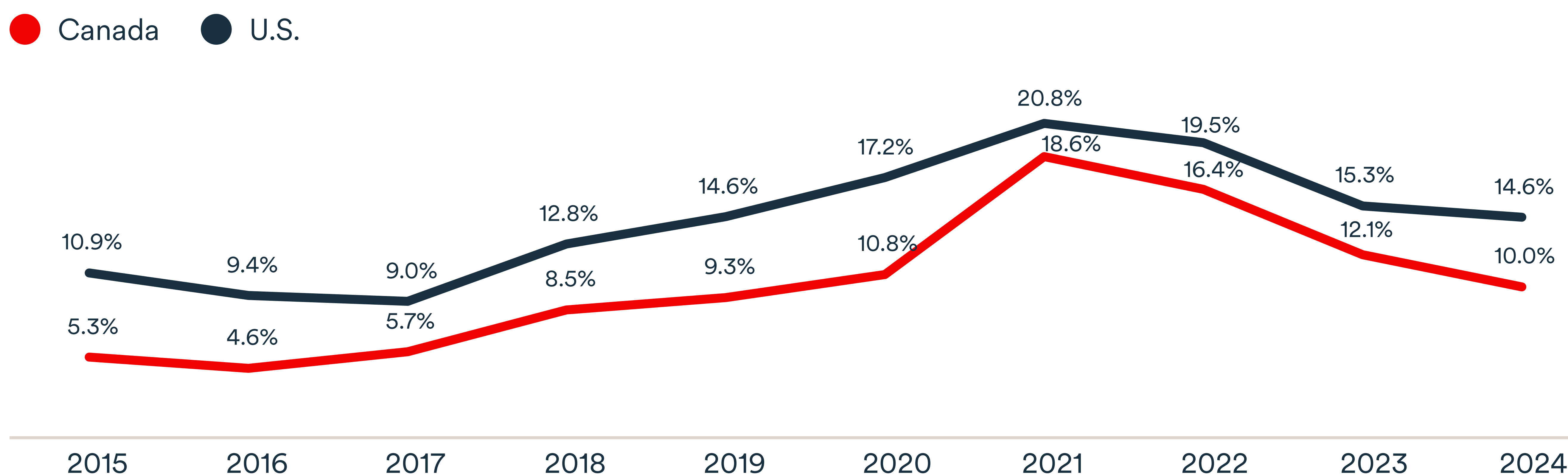
The Canada-U.S. performance gap widened

Canada's VC performance deteriorated last year but remained in the double digits, with the VC 10-year net internal rate of return (IRR) at 10% (Figure 21).

Canada experienced a sharp decline of 210 basis points, while U.S. returns contracted by only 70 basis points, thus deepening the gap between Canadian and U.S. returns to over 450 basis points. The main driver was lower Canadian valuations compared to the U.S. For example, Canadian pre-money Series A and B valuations were, respectively, 2.6% and 15% lower than U.S. valuations, while Series C+ Canadian valuations were 28% lower.[8]

Despite contracting, U.S. IRR performance still fares well when compared to global VC returns, while Canada lags behind.

Figure 21: 10-year VC net IRR in Canada and the U.S.



Sources: : Cambridge Associates, U.S. VC benchmark preliminary data as of September 2024;
BDC Capital fund investment data for VC funds headquartered in Canada and foreign-based funds with significant Canadian investment exposure, as of September 2024.
Note: BDC improved its methodology for calculating performance. As a result, this year's data cannot be directly compared with data from previous reports.

Post-2020 vintages are expected to see volatility in their returns

To analyze VC asset class performance, we assessed three performance metrics across vintages:

- Internal rate of return (IRR)
- Total value to paid-in capital (TVPI)
- Distributed to paid-in capital (DPI)

Pre-2011 returns are weak, reflecting the Canadian VC market's nascent and evolving situation during that period. Vintages from 2011 to 2016 are the best performers across quartiles—having gone through a full 10- to 12-year investment lifecycle. These vintages also rode the 2021 boom, when valuations peaked for the asset class. Performance of the 2017-2019 cohort is a mixed bag, reflecting the fact that investments were made during the fairly normal pre-pandemic period as well as at the peak of the market.

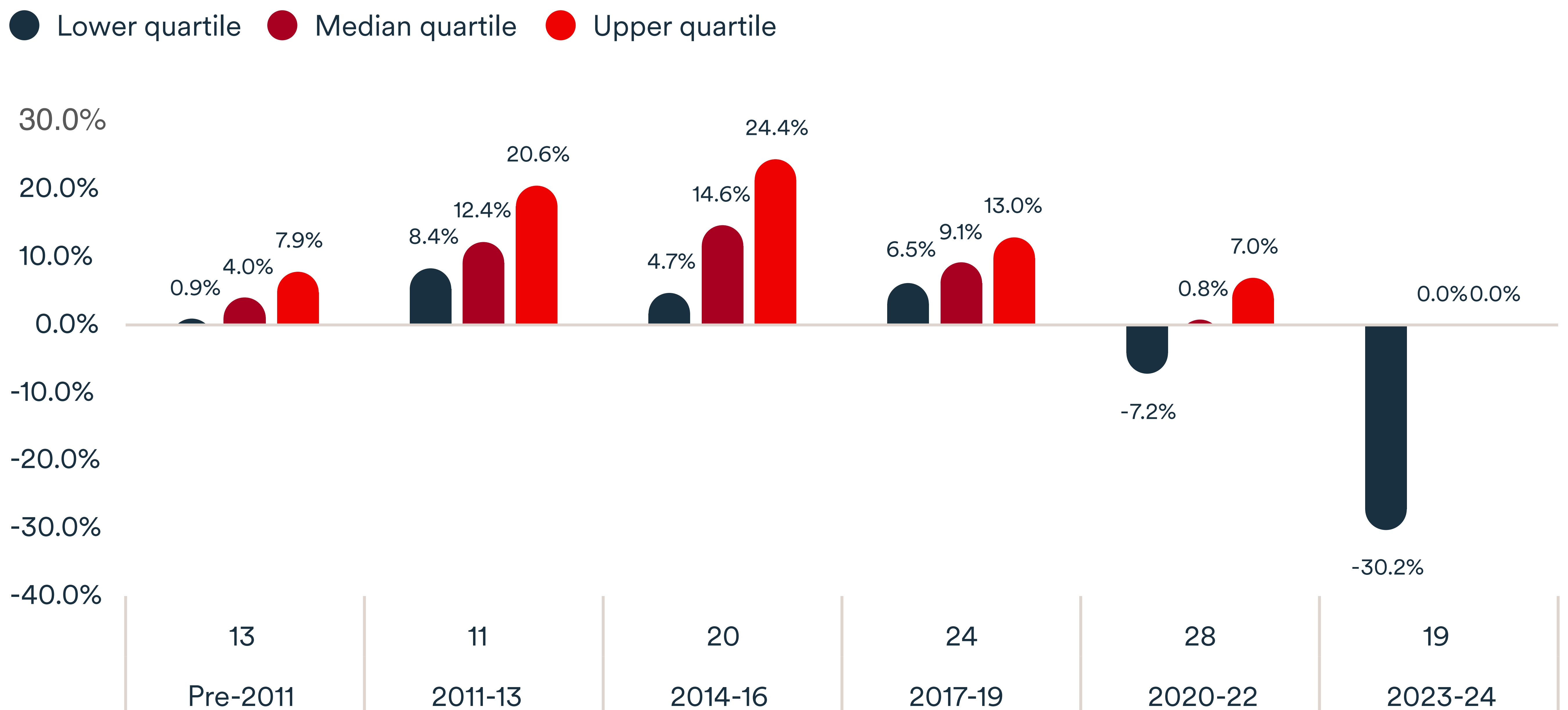
Post 2020 funds are at the early stage of their lifecycle, and many continue to find themselves at the bottom of their J-curve (Figure 22, 2020-22 and 2023-24 vintage groups).

The J-curve refers to the typical return pattern of investments, meaning that a fund will incur losses in its initial years due to initial costs, fees and early-stage investments. The fund will eventually mature and deliver returns, generating a J-shaped curve.

Compared to 2023, the 2024 IRRs across vintage cohorts have contracted, except for the 2020-22 cohort. The 2020-22 cohort performance improved for median quartile funds by 1.3%, which could be attributed to improved valuations in 2024 versus 2023. At the same time, 2014-16 and 2017-19 vintage cohorts suffered a contraction of -0.3% to -2.6%, respectively at a median level.

[8] Neville, Ashley. Fundraising Insights Across Borders: VCAA March 2025. Carta Insights. 2025

Figure 22: IRR across vintages



Source: BDC analysis
BDC Capital fund investment data for VC funds headquartered in Canada and foreign-based funds with significant Canadian investment exposure, as of September 2024.
The number of funds in each vintage cohort is displayed above the vintage years.
Note: BDC improved its methodology for calculating performance using reported fund financials instead of BDC's valuation policy. As a result, this year's data cannot be directly compared with data from previous reports.

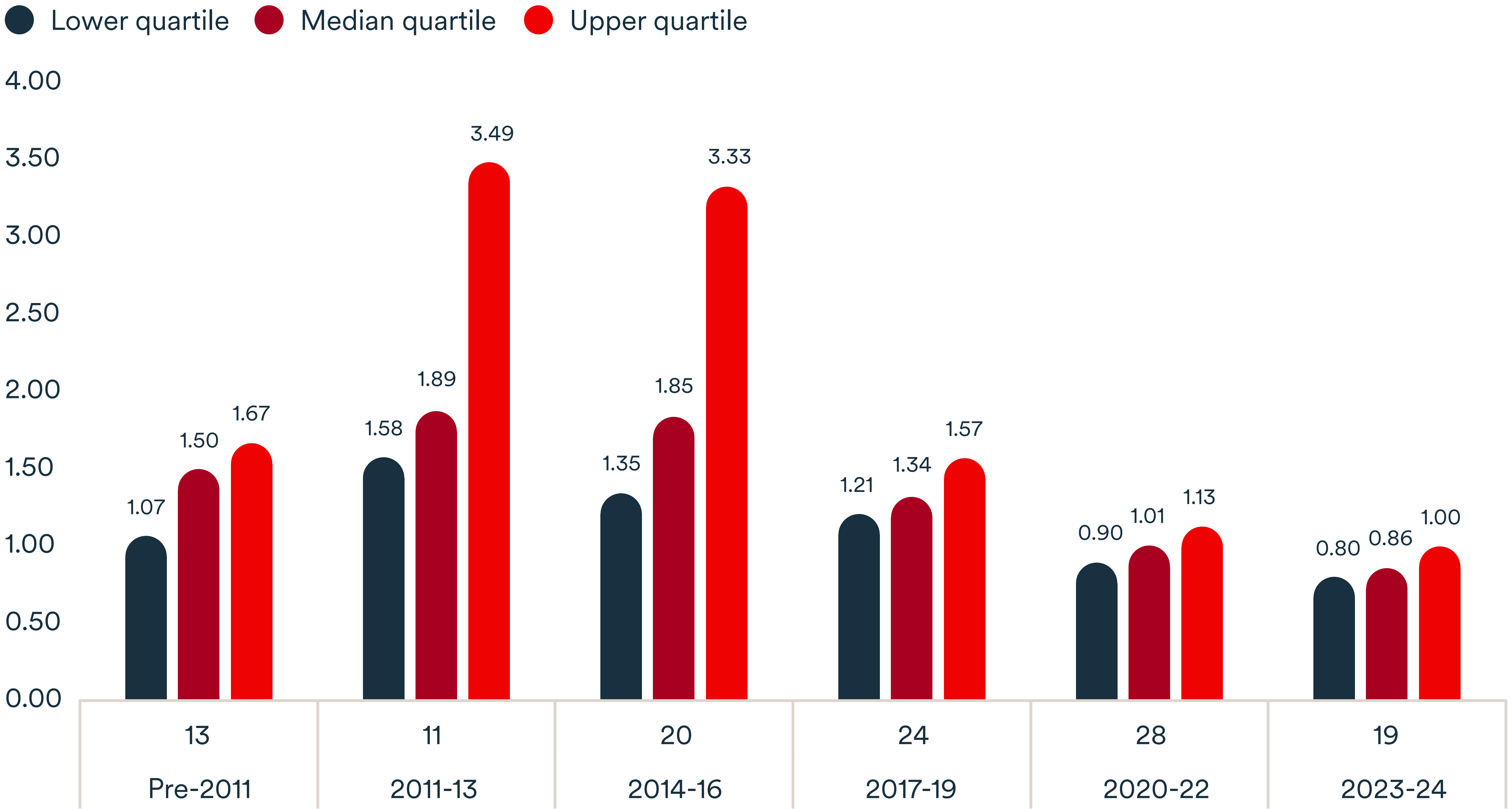
Mature funds are awaiting to convert TVPI into DPI

The median TVPI for funds in the 2023-24 vintage bracket is less than one. This is due to their relatively short existence, which prevents them from realizing write-ups.

Funds that have been active for at least 11 years (2013 and younger) are still struggling to convert TVPI into DPI due to the sluggish exit activity in the ecosystem, whether through M&As or IPOs.

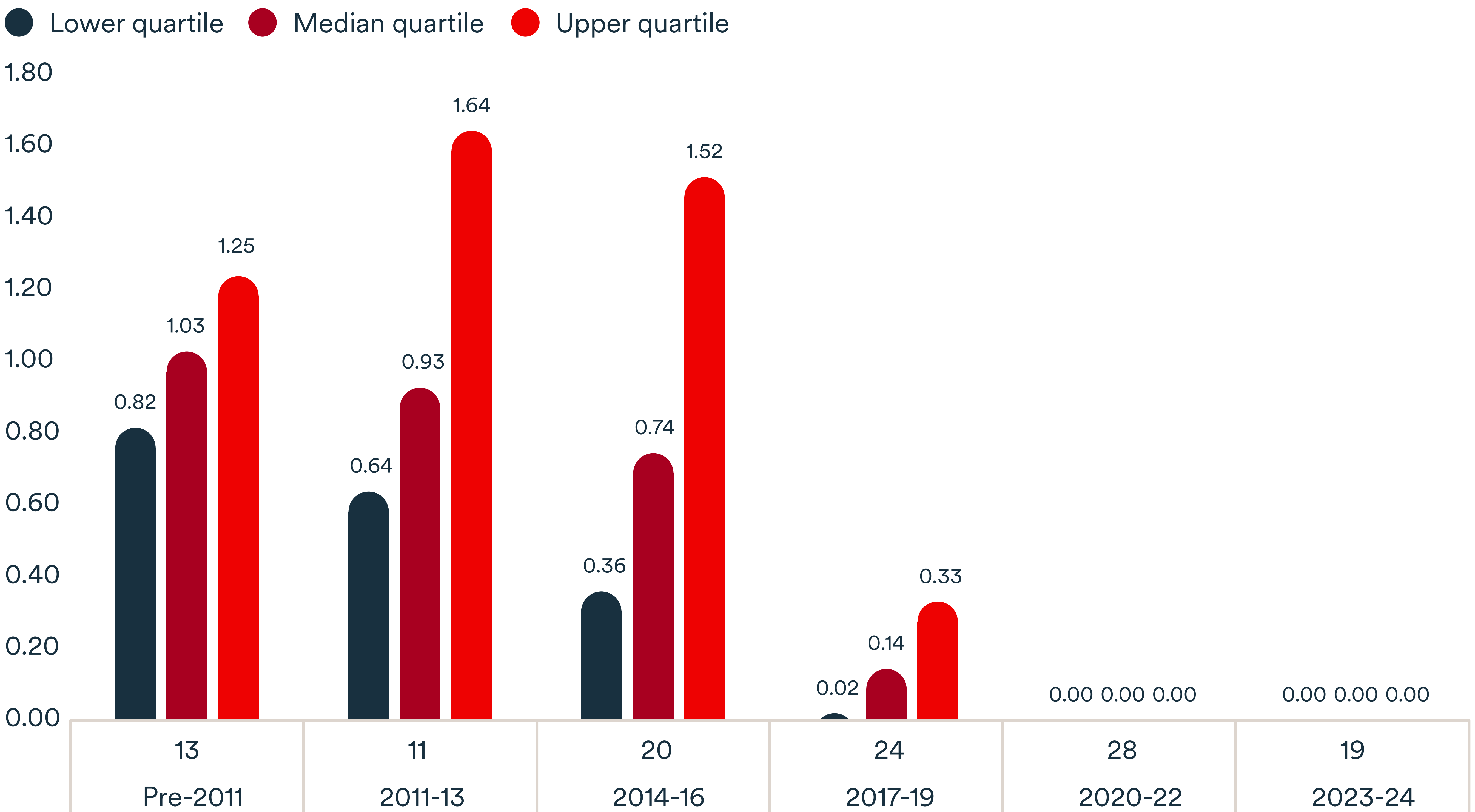
Funds that are 6- to 8-years-old still hold multiple active investments. As a result, their challenge is not returning enough capital to existing LPs, which can hinder GPs from successfully closing subsequent funds. These funds are strategically waiting for favourable market conditions to exit and convert their TVPI into DPI.

Figure 23: TVPI across vintages



Source: BDC Capital fund investment data for VC funds headquartered in Canada and foreign-based funds with significant Canadian investment exposure, as of September 2024.
Number of funds in each vintage cohort is displayed in the graph just above the vintage grouping.
Note: BDC improved its methodology for calculating performance. As a result, this year's data cannot be directly compared with data from previous reports.

Figure 24: DPI across vintages



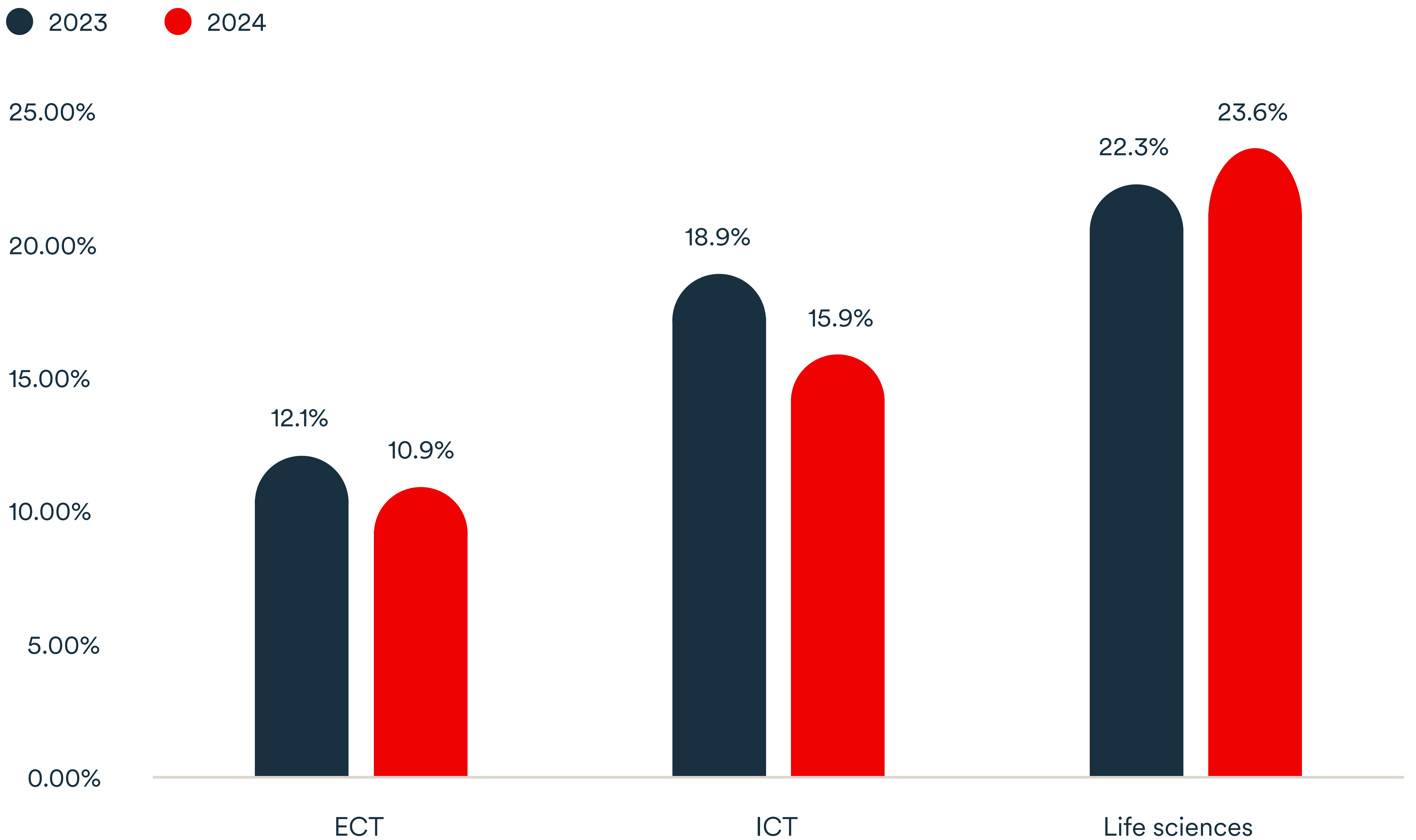
Source: BDC Capital fund investment data for VC funds headquartered in Canada and foreign-based funds with significant Canadian investment exposure, as of September 2024.
Number of funds in each vintage cohort is displayed in the graph just above the vintage grouping.
Note: BDC improved its methodology for calculating performance using reported fund financials instead of BDC's valuation policy. As a result, this year's data cannot be directly compared with data from previous reports.

ICT and ECT returns contracted; life sciences expanded

IRR in the ICT sector suffered a sharp 300 basis points contraction in 2024. This was the sector's second consecutive year of decline in terms of 10-year returns, a consequence of valuation readjustments after the 2021 peak.

Similar to 2023, the ECT sector was more resilient, with a moderate 130 basis points contraction. Life sciences companies continued to outperform ECT and ICT in terms of returns and share of VC investment.

Figure 25: 10-year gross IRR by sector in Canada



Source: BDC data and analysis, as of December 31, 2023, and December 31, 2024.
Note: BDC direct and underlying companies are used as a proxy for sector performance.

A continually evolving GP landscape

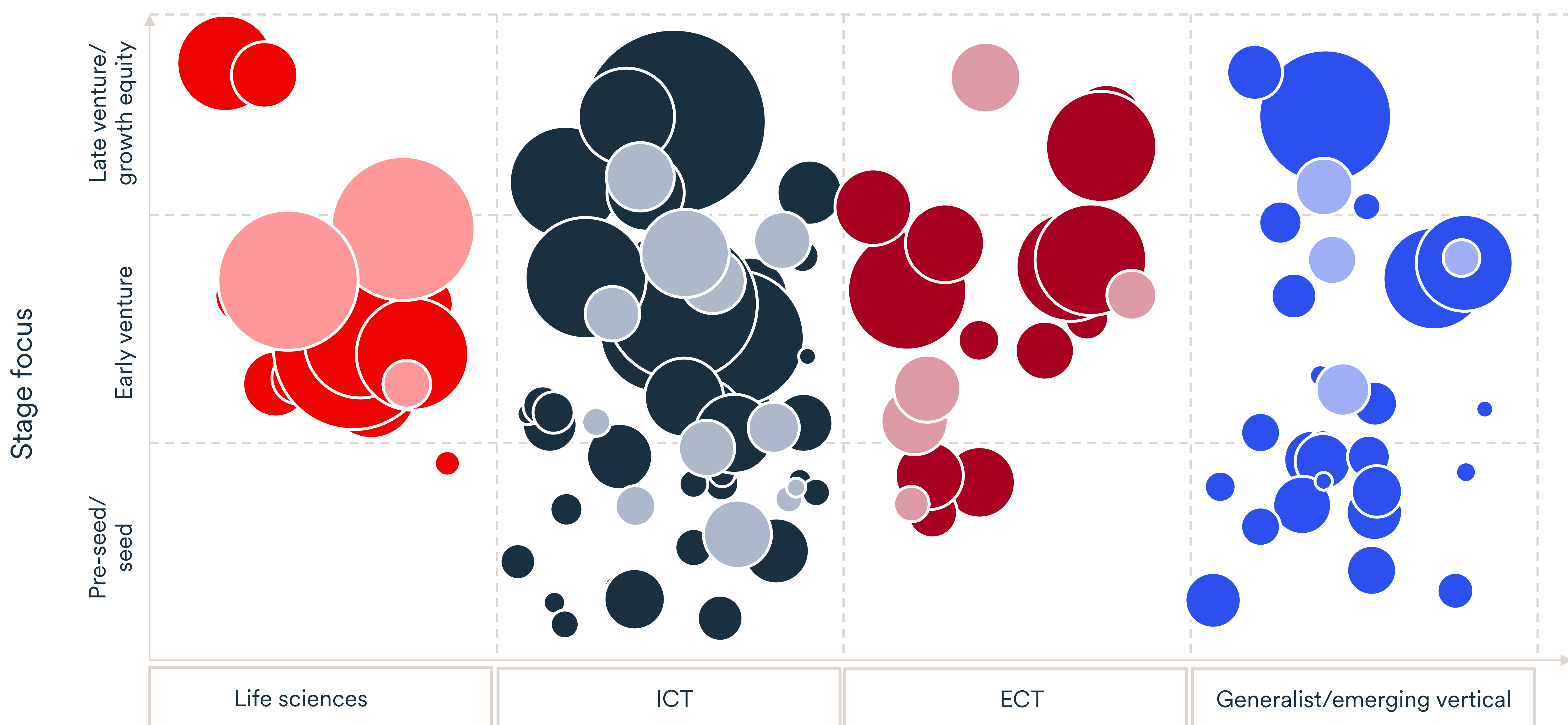
GPs continue to focus on ICT

The ICT sector remained the most active in terms of capital deployment by GPs, as some early-stage funds neared the end of their lifecycle.

We continue to note gaps in the number of private active funds across the life sciences sector, in the pre-seed, seed, late venture and growth equity stages. Bridging these gaps is essential to keep capital flowing to innovators in this space. A lack of GPs limits pipeline development and the emergence of Canadian champions.

Gaps have also increased in the ECT sector, creating opportunities in stages similar to those in the life sciences sector. ECT fund sizes also remain relatively moderate to small compared to the other sectors. Increasing fund activity in this sector would help Canada reach its net-zero emissions objective by 2050.

Figure 26: GP presence, by stage and sector



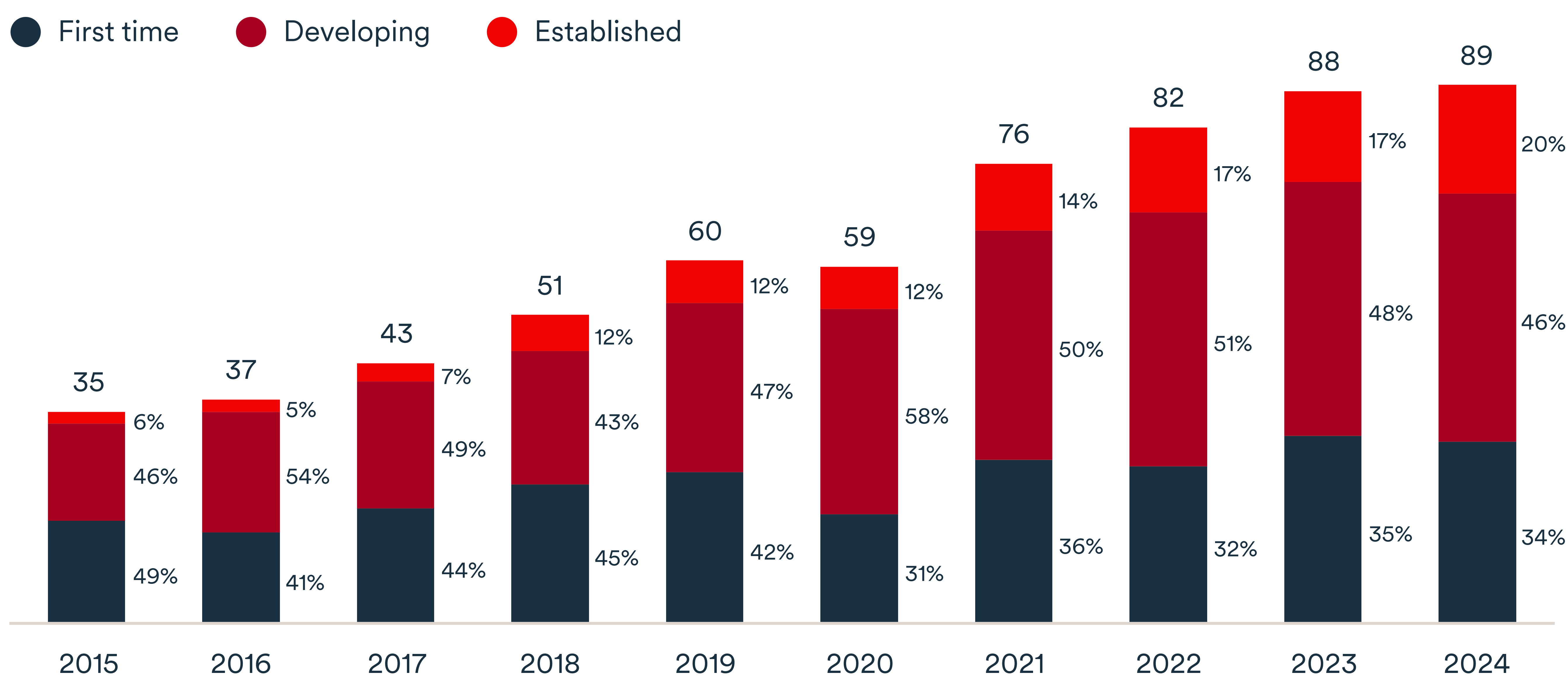
Sources: BDC internal data, PitchBook. Data include Canadian private independent VC funds that closed with a fund size of $10M or more and BDC Capital direct funds. Excludes PE funds, private debt, funds of funds, government funds and accelerators. Graphic presents only the most recent fund for each respective GP that is no older than 12 years (2012 vintage).
Note: Bubble size represents actual/target fund size—not all capital may be deployed in Canada.
Bright colors are active funds that are no older than five years.
Faded colors are active funds that are 6-12 years old.

A growing share of established managers

As VC investment in Canada evolved, so did the manager mix in the ecosystem, with established managers accounting for 20% of all active GPs (Figure 27). The increasing number of established GPs underscores the fact that Canada is creating progressively more sustainable franchises that can reach an ever-growing number of LPs.

First-time managers make up almost a third of the manager mix, providing a healthy pipeline of GPs maturing to developing GPs. First-time managers and developing managers are considered emerging managers. A robust pipeline of emerging managers is essential to maintain the Canadian market on its path towards maturity.

Figure 27: Active GPs in Canada, by maturity



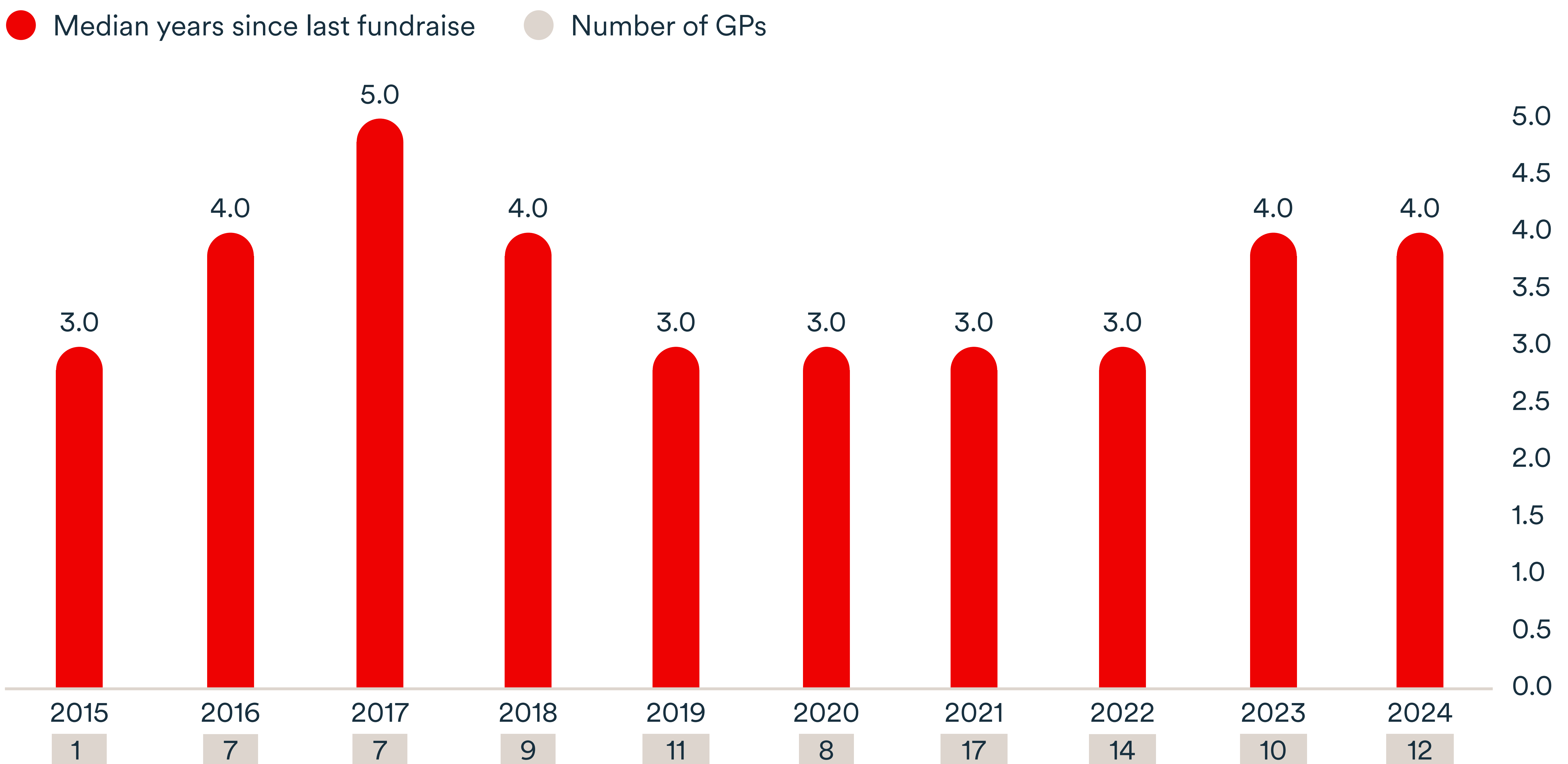
Sources: BDC internal data, PitchBook
Note: Data includes Canadian private independent VC funds that closed with a fund size of $10M or more. Excludes PE funds, private debt, funds of funds, government funds and accelerators. It also excludes GPs where the most recent fund vintage is older than five years.

Fundraising activity losing steam

Median fundraising time remains high

Challenging macroeconomic conditions continued to impact fundraising. The median time to fundraise remained at 4 years for the second consecutive year. However, 12 GPs closed funds in 2024, which was higher than the previous year. (Figure 28).

Figure 28: Fundraising velocity in Canada



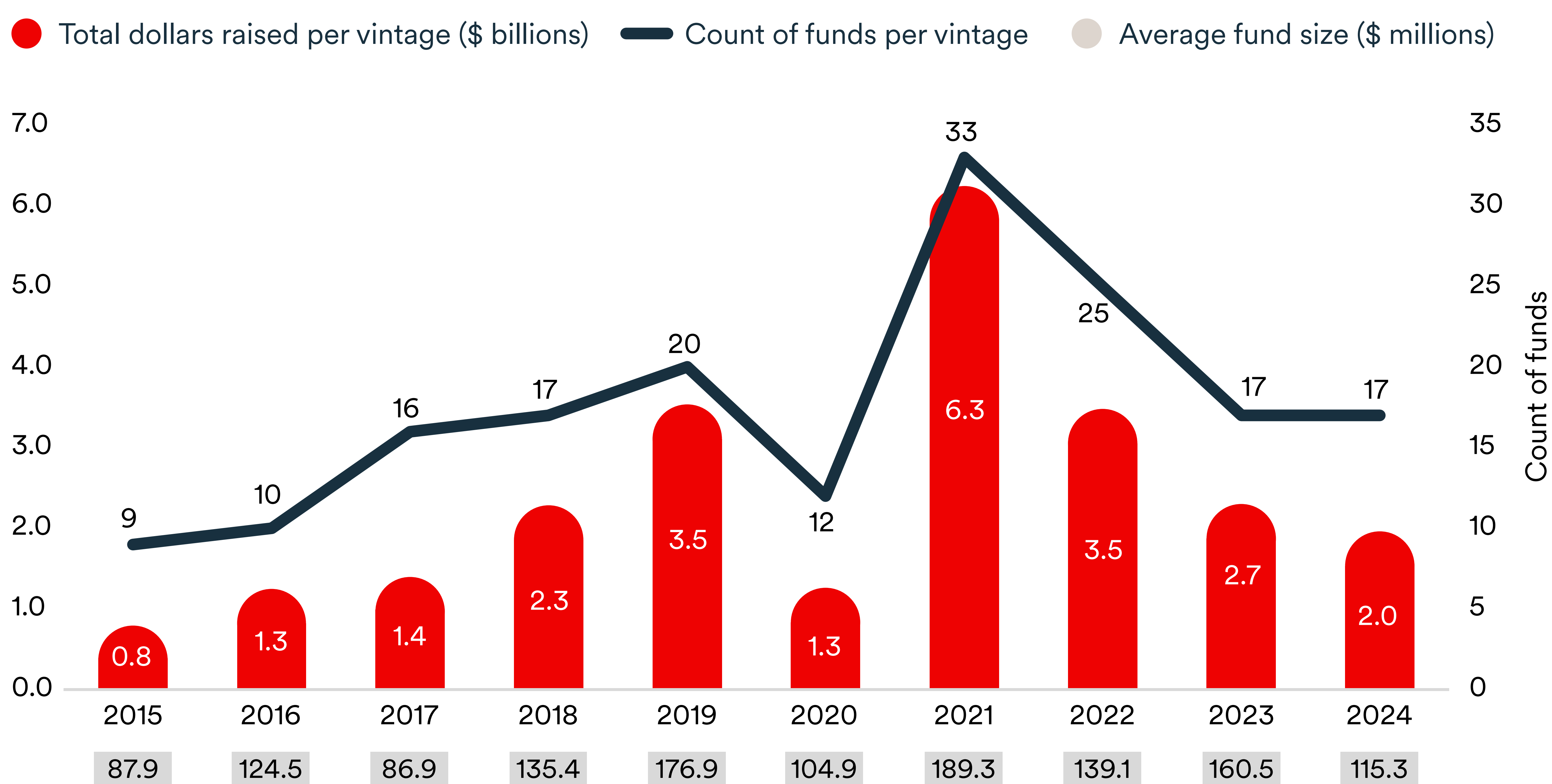
Sources: BDC internal Data, PitchBook
Note: Data includes Canadian private independent VC funds that closed with a fund size of $10M or more. Excludes PE funds, private debt, funds of funds, government funds and accelerators. It also excludes GPs where the most recent fund vintage is older than five years.

Dollars raised and average funds sizes, at the lowest level since 2020

Despite an increasing number of GPs closing funds, the total capital raised in 2024 was lower than in 2023. Average fund sizes also fell during the year to $115.3 million, its lowest level since 2020 (Figure 29).

The decrease in M&A and IPO activity is limiting liquidity. In the absence of exits, LPs face constraints in their ability to commit to new funds, which affects fundraising activity in the market.

Figure 29: Fundraising activity by fund count, total dollars raised and average fund size



Sources: BDC internal data, PitchBook, BDC analysis
Note: Total dollars raised is the sum of the fund sizes of all funds in a same vintage year. Assuming that the vintage of a fund is the year of its first capital call.

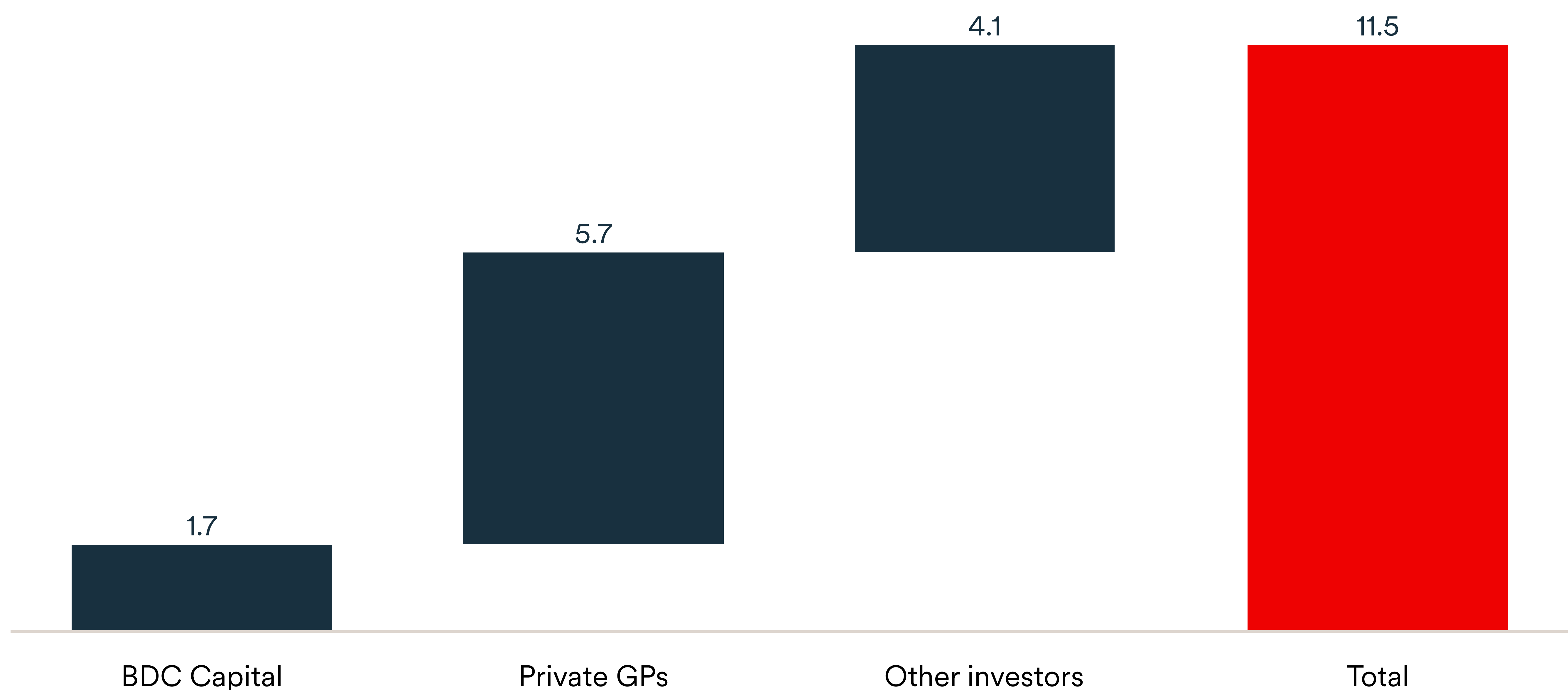
$11.5 billion of dry powder available

We estimate that Canadian-headquartered VC investors are currently sitting on $11.5 billion of dry powder. This amount includes private Canadian-headquartered GPs as well as BDC Capital direct funds, public sector VC investors and some of the most active domestic pension funds (Figure 30).

Historically, over 50% of Canadian investors' dry powder has been deployed in Canada.

Additionally, U.S. investors' dry powder is close to its peak at $422 billion. Our analysis indicates that close to 2% of this amount is deployed in Canada. However, this allocation could be adjusted following the trade uncertainty and potential tariffs, which could impact capital availability in Canada.

Figure 30: Dry powder across Canadian VCs ($ billions)



Sources: BDC internal data and analysis, PitchBook
Note: BDC improved its methodology for calculating dry powder. As a result, this year's data cannot be directly compared with data from previous reports.

Shorter runways, but up rounds are on the rise

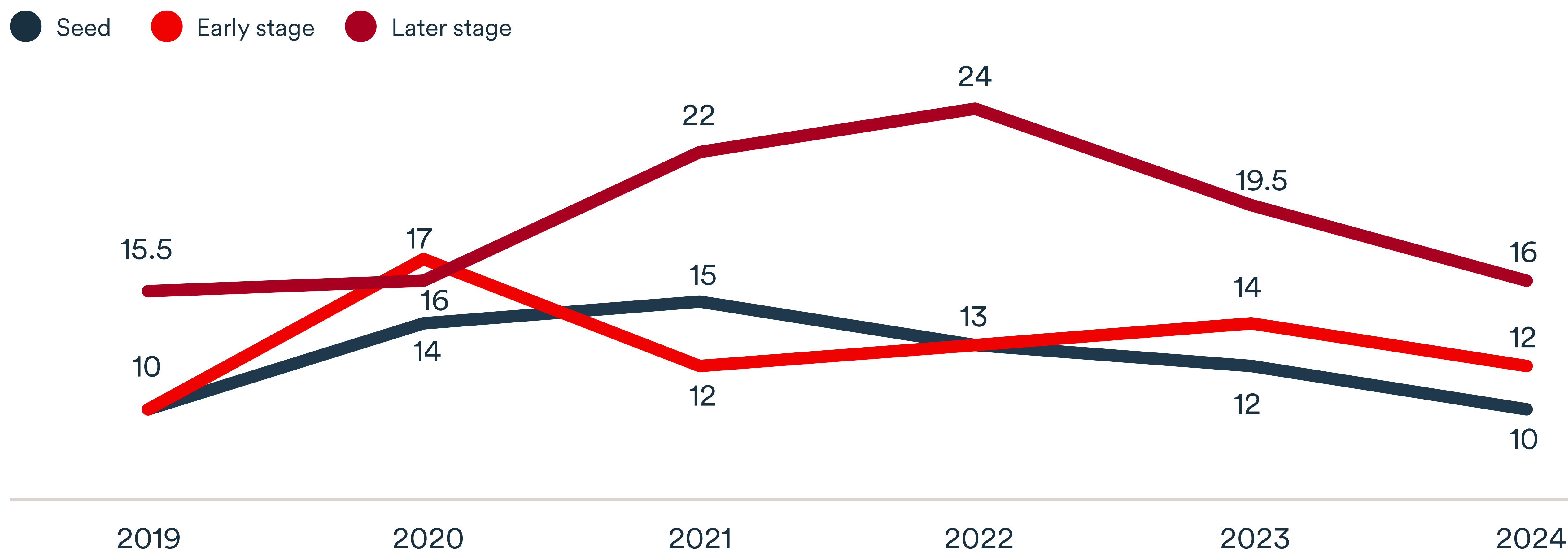
Cash runways remain under pressure

The cash runway of companies is contracting across stages. The largest drop was observed for later-stage companies, which recorded median runways of 16 months, a significant decline from a high of 24 months in 2022.

The same trend was also noted across seed and early-stage companies, each losing two months compared to the previous year.

Efficient cash management and sound business practices will be key as companies navigate longer fundraising cycles and tighter capital markets.

Figure 31: Median cash runways across stages (number of months)



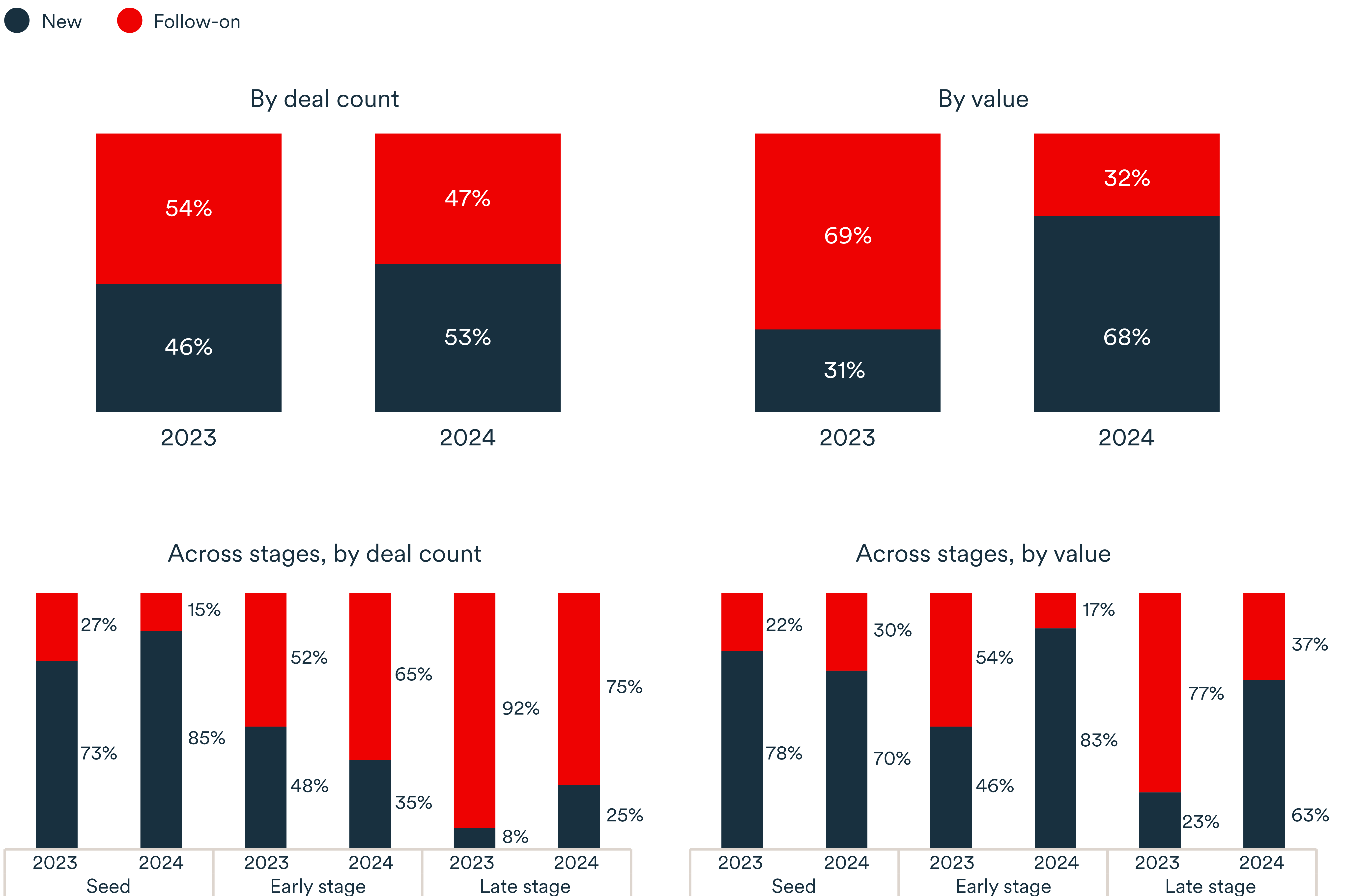
Source: BDC internal data and analysis

Uptick in new investments

In contrast to 2023 when investors were doubling down on existing portfolio investments with follow-ons, 2024 saw substantial improvement in new investment value and deal count (Figure 32). This shift towards fresh deals indicates a higher risk appetite, with investors actively pursuing riskier opportunities.

Looking across stages, new investments in early and late-stage companies gained traction in terms of value, while follow-on investments at the seed stage increased compared to 2023. For example, 70% of seed-stage dollars were invested in new companies. The percentage was 83% for early-stage companies.

Figure 32: New and follow-on investments mix in BDC's direct portfolio



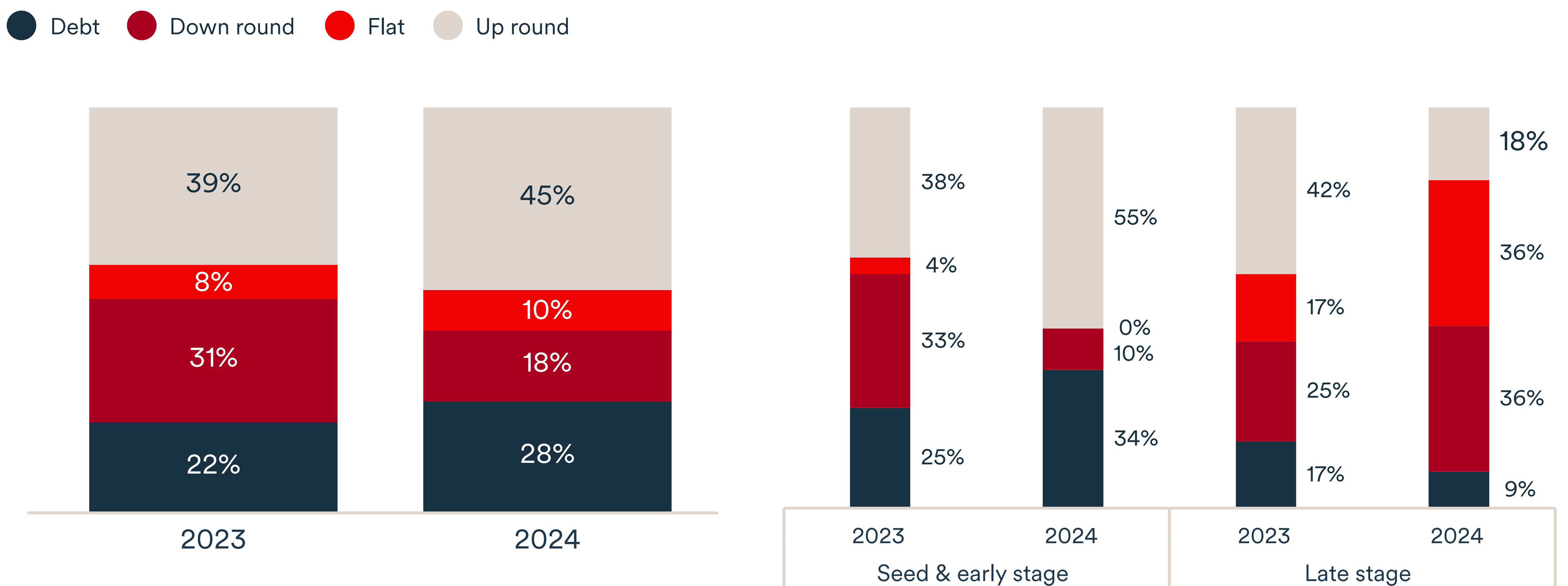
Source: BDC internal data and analysis

Valuations show encouraging momentum

Our data shows a positive shift in valuations, with an uptick in the share of up rounds. The number of down rounds decreased, after a significant increase recorded in 2023. Only 18% of investment rounds were down rounds, compared to 31% in 2023 (Figure 33).

The momentum in valuation was especially strong at the seed and early-stage levels. Late-stage companies remained under valuation pressure, struggling to raise funds at higher valuations.

Figure 33: Investment rounds in BDC's direct portfolio, by valuation status



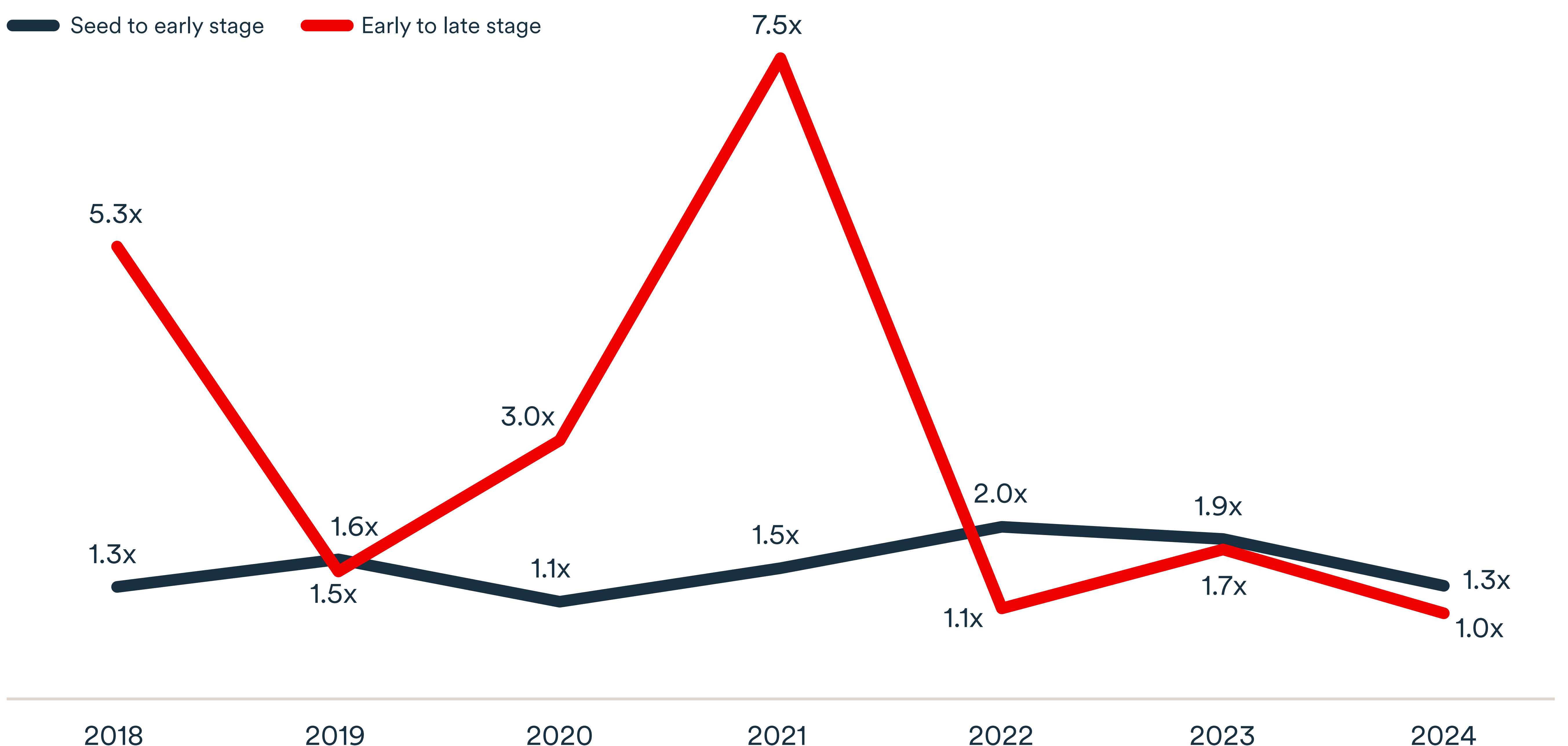
Source: BDC internal data and analysis

Step-up multiples remain weak at later stages

We noted a downward shift in valuation growth from the seed to early stage and from the early stage to the late stage.

Last year, the lowest step-up multiple since 2018 was recorded for companies moving from the early to the late stage. Late-stage companies had a disappointing performance, raising at nearly the same valuation as the previous round. For companies to grow into their valuations, it is imperative that they not only demonstrate revenue growth but also profitability.

Figure 34: Step-up multiples



Sources: PitchBook, BDC analysis

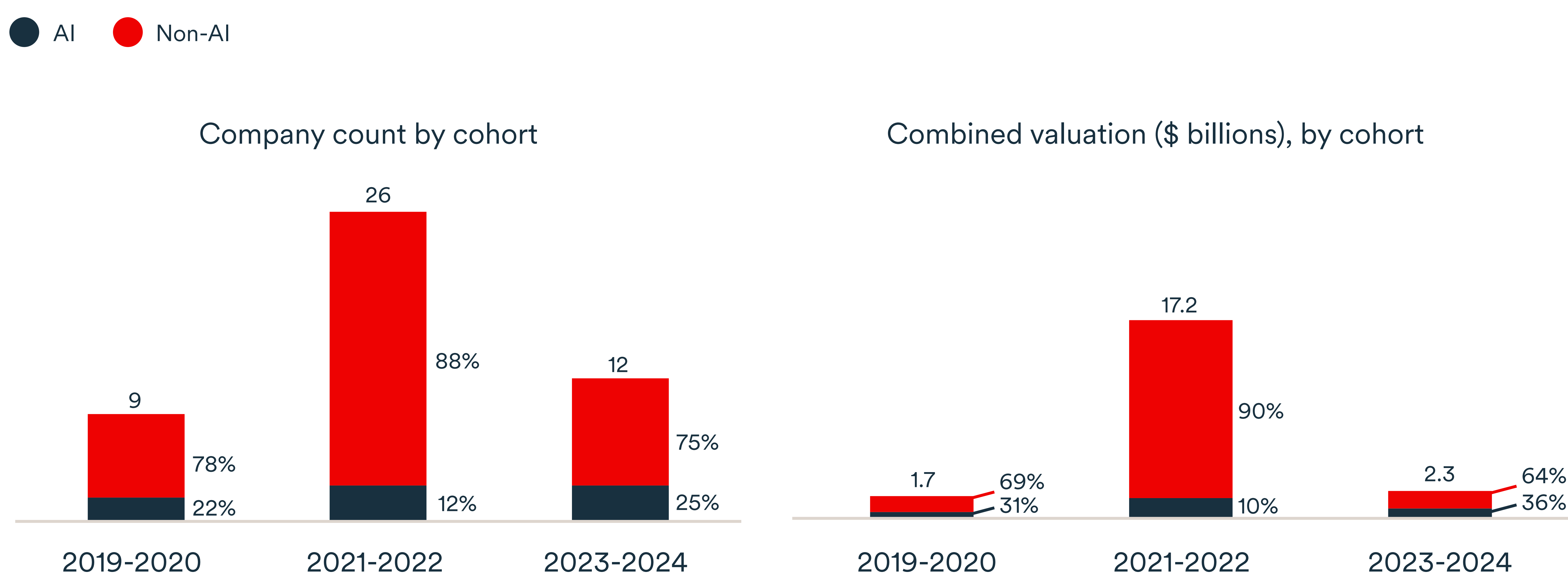
AI valuations over $100 million are on the rise

Analyzing the 2023-24 cohort reveals a notable shift in investment priorities, with AI poised to spearhead the next wave of innovation and value creation within the Canadian venture capital ecosystem.

For the first time, AI companies accounted for 25% of all VC-backed Canadian firms with valuations of over $100 million, marking a 13% increase compared to the 2021-22 cohort.

As investors favour AI, companies that have yet to integrate AI in their business models face greater risks. Specifically, most of the companies in the 2021-22 cohort, valued at over $15 billion, are non-AI companies. These firms may encounter valuation markdowns, making them less attractive and diminishing their prospects for future fundraising and exit opportunities.

Figure 35: Share of AI and non-AI companies with valuations over $100 million



Sources: PitchBook, BDC analysis
Note: Company count includes companies with more than $100 million in valuation.

Conclusion: Bracing for exceptional uncertainty

Our report depicts an evolving Canadian VC industry amid a highly uncertain macroeconomic environment.

On the positive side, growth-equity stage transactions drove total investments up by 10% in 2024, valuations saw an uptick and there is still adequate dry powder available in the ecosystem.

However, exit activity remained lacklustre and the IPO drought continued. If the recent volatility in public market persists, it will further constrain exits.

A sluggish exit market means that GPs will continue to find it challenging to generate DPIs for investors. This will impact fundraising and further limit entrepreneurs' access to funding.

With $1 billion in funding announced, the fourth VCCI round has the potential to stimulate market liquidity. Lower interest rates could also support higher valuations and help revive the M&A market—improving the asset class's returns. At the same time, a weaker Canadian dollar might accentuate Canadian businesses' vulnerability to being acquired by foreign buyers.

Looking ahead, trade tensions and tariffs are complicating economic and investment conditions. Lingering uncertainty could impact investors' appetite for risk, thus limiting entrepreneurs' access to capital.

Domestic investment is imperative given the unpredictability of this outlook and the risk of foreign capital pulling back amid global headwinds.

VC investments provide a steady pipeline of high-potential companies that have the potential to boost innovation, create value and improve global competitiveness. Made-in-Canada innovations and technologies could also help increase the productivity of traditional sectors of the economy.

It has never been more important to increase the flow of Canadian dollars to support Canadian innovation and business scale-up. Without domestic funding, this innovation pipeline risks drying up.

Canadian investors across the board—government VCs, private VCs, pension funds and corporate VCs—need to step up and support Canadian innovators, across the funding cycle.

There is untapped potential to enhance the Canadian secondary market, which will come with the twin benefits of providing liquidity to existing investors while attracting new investors into the ecosystem.

Conclusion: Bracing for exceptional uncertainty (cont.)

There is also an opportunity to boost Canada's growth, self-reliance and productivity. VC-backed companies with significant scale (over $100 million in revenues) should look at the domestic market for growth opportunities, business partners and supply chains. This will help generate liquidity and support the Canadian economy.

Companies should continue to focus on efficient cash management, as capital availability remains challenging.

As entrepreneurs and investors alike brace for heightened volatility, BDC is here to help and ensure that Canadian innovation is not penalized amid the turmoil. For example, in early March 2025, BDC launched a $500 million Pivot to Grow envelope providing financing, loan deferrals and advisory services to businesses impacted by the effects of the U.S. tariffs.

As Canada's most active investor in terms of deal volume, we calibrate our investments to align with ecosystem dynamics and market demands. We invest across the business growth cycle, from pre-seed to growth stages.

For instance, we launched our $50 million Seed Venture Fund in 2023 to fill a gap in seed capital for Canadian software companies in underserved regions.

Earlier this year, we committed close to $1 billion to companies in the late- and growth-equity stages. This was a direct response to the findings of our previous VC Landscape report showing that capital invested into late-stage companies had been cut almost in half in 2023, while equity-stage investments had decreased by 96%.

We will continue to keep a close eye on the market and adjust our response as needed.

We hope that our efforts, combined with those of other key actors across the country, will help empower entrepreneurs and propel the Canadian VC industry forward.

The year ahead will test the resilience and the capacity of the VC ecosystem to adapt and pivot.

At the same time, we should not forget that some of the most incredible innovations and success stories are born during times of uncertainty.

We believe in the ecosystem's potential to generate more Canadian-born innovations, and we remain ready to step up our support and spur the growth of the next generation of Canadian champions.

BDC is by your side every step of the way

Learn more about our different funds and our support for the Canadian venture capital ecosystem.

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