



2025 DEAL STUDY

Venture financing report



Summary

Venture transactions completed in 2024 showed a gradual return to a more balanced financing environment compared to [2023's capital raising challenges](#). This neutral-to-founder-friendly financing environment was punctuated by the return of secondaries. Investors and companies executed secondary transactions that allowed early employees and early investors to take some chips off the table. The instances of secondaries did not reflect the exuberance of 2020/2021; however, for companies with an established successful track record, secondaries were used to reward early employees and retool cap tables to bring in new investors and focus on the future.

Key takeaways

Series Seed and Series A remain the predominant types of financings

As in prior years, most financings were early stage. Series Seed and Series A accounted for a total of 76.4% of the financings in our sample (up from 73.3% and 70.0% in 2022 and 2023, respectively). This reflects a robust early-stage venture environment which, ideally, will create a strong pipeline of companies seeking future rounds of financings. However, in our 2021 report we observed that, as the Canadian ecosystem matures, we would expect to see higher weighting towards mid- to late-stage financings. While we saw green shoots of this in our 2022 report, this has not proven to be the case and highlights a continued challenge for the Canadian ecosystem as early-stage companies get purchased, move to the U.S. or go out of business. There remains a large opportunity in the Canadian market for the development of later-stage startups.

Down rounds decrease slightly

We observed a slight decrease in the relative percentage of down rounds when compared to 2023 numbers, indicating that startup valuations, as a whole, are rising. While this is a promising development for the ecosystem, this increase in valuations may in part be explained by the continued rise of AI startups accounting for a disproportional number of overall financings coupled with valuations that are less grounded in fundamental metrics than others.

Financing distributions by province

Consistent with past years, startups based in Ontario, Québec, and Alberta continue to represent most financings across Canada. However, there was a notable decrease in the total number and relative percentage of financings in Alberta, which were down from 2023, diverging from what had otherwise historically reflected an increasing trend.

A return to a more balanced founder-friendly investment environment

In 2023, a challenging fundraising environment saw certain deal terms—such as dividend preference and liquidation preference among preferred shareholders (Figures 3.1 and 3.2), preferred share voting thresholds (Figure 4.1a and 4.1b) and series-specific preferred share veto rights (Figure 4.2)—move away from historic norms in favour of “new money” investors.

In 2024, these metrics reverted back to the standard Canadian marketplace state with terms between preferred investors being more balanced for dividend preference, liquidation preference, and preferred share voting thresholds. Preferred share veto rights favoured thresholds calculated based on preferred shares in the aggregate instead of being based on their series.

Unique Canadian practices

While Canadian venture practices are based on U.S. venture norms, certain deal points remain uniquely Canadian:

(i) limitations on class voting: in Canadian corporate law, companies are permitted to limit certain statutory share class voting rights with respect to certain enumerated matters. In our sample, the vast majority (84.2%) limited class voting rights for all shares (preferred and common)—giving the shareholders more flexibility to amend terms of the articles without triggering series or class specific voting rights (Figure 4.3).

(ii) not capping the number of common or preferred shares: capping the number of common and preferred shares is a widely followed practice in the US, partly because of the way certain state franchise tax fees are calculated. In Canada, providing for unlimited authorized preferred shares and common shares is a regular occurrence, with the majority practice in 2024 being to cap the number of preferred shares while having unlimited common shares (Figures 5.5a and 5.5b).

Consistency in certain deal points

Consistent with past years, certain deal points remain the overwhelming terms in Canadian venture financings. These include non-participating preferred shares (96.6%) (Figure 3.3a), 1x liquidation preference (93.7%) (Figure 3.4), non-cumulative dividends (93.9%) (Figure 3.5), broad based anti-dilution (97.8%) (Figure 5.1), non-redeemable preferred shares (92.5%) (Figure 5.2), and no pay-to-play provisions (99.3%) (Figure 5.4).

The year ahead

Looking forward, there are many political headwinds, such as the [Canada/U.S. tariffs](#), global trade tensions, and broad geopolitical uncertainty, that will impact investor sentiment, global capital flow and the availability of venture capital in general. If these headwinds persist, it will likely lead to a more unpredictable financing environment in 2025 and a shift towards more investor friendly deal terms.

This study analyzed key deal points of 148 venture financings that took place in Canada in 2024 by examining their publicly filed articles of amendment.

Deal activity



Figure 1.1) Deal activity by quarter

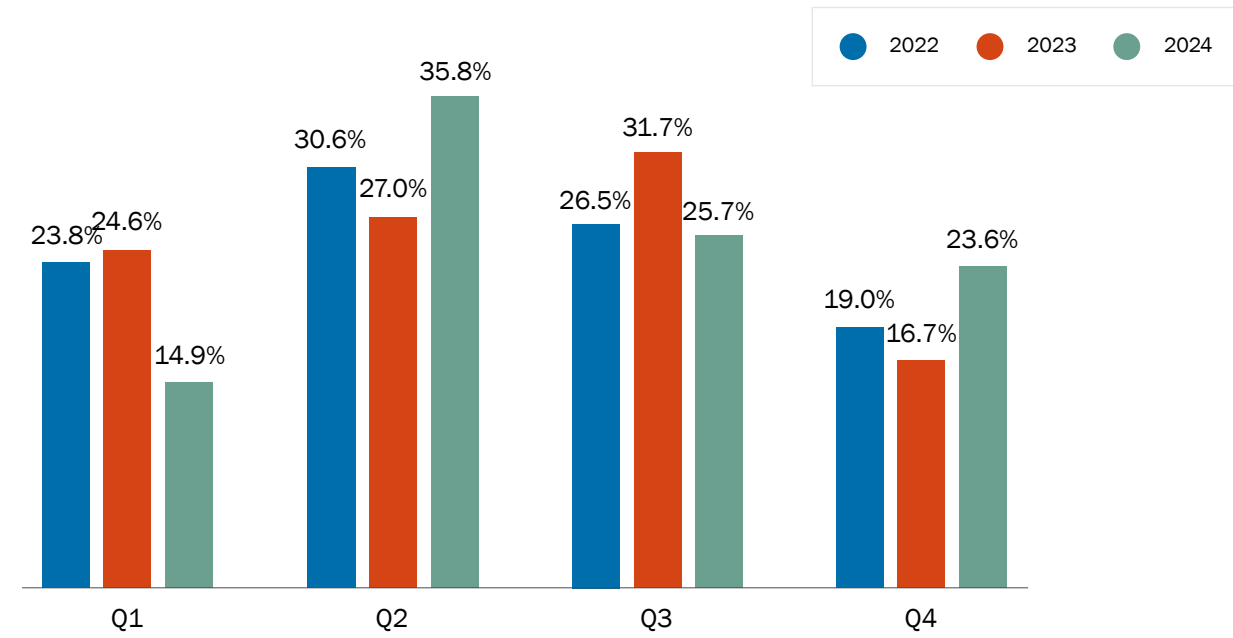


Figure 1.2) Deal activity by province

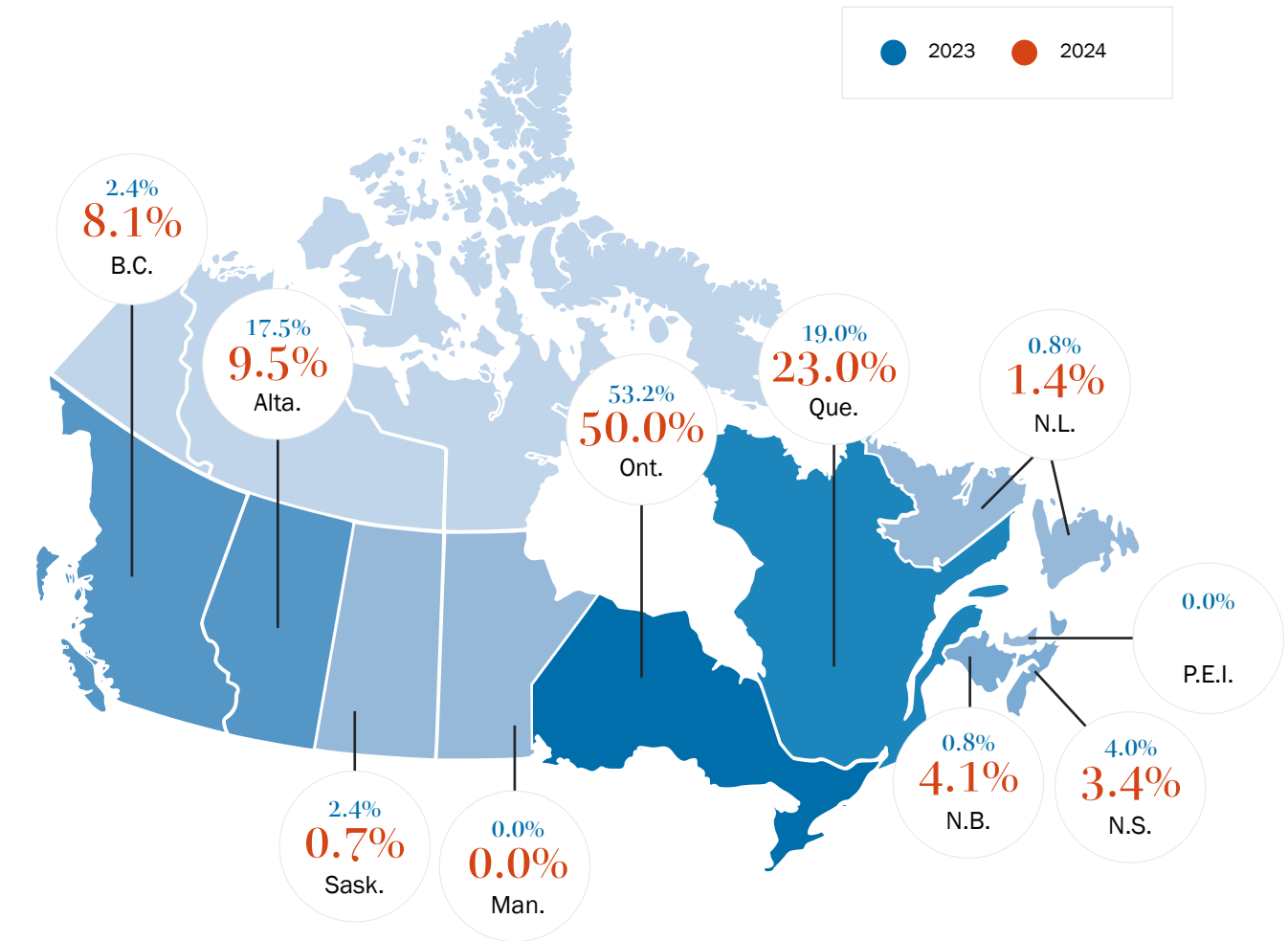


Figure 1.3a) Financing round by proportion

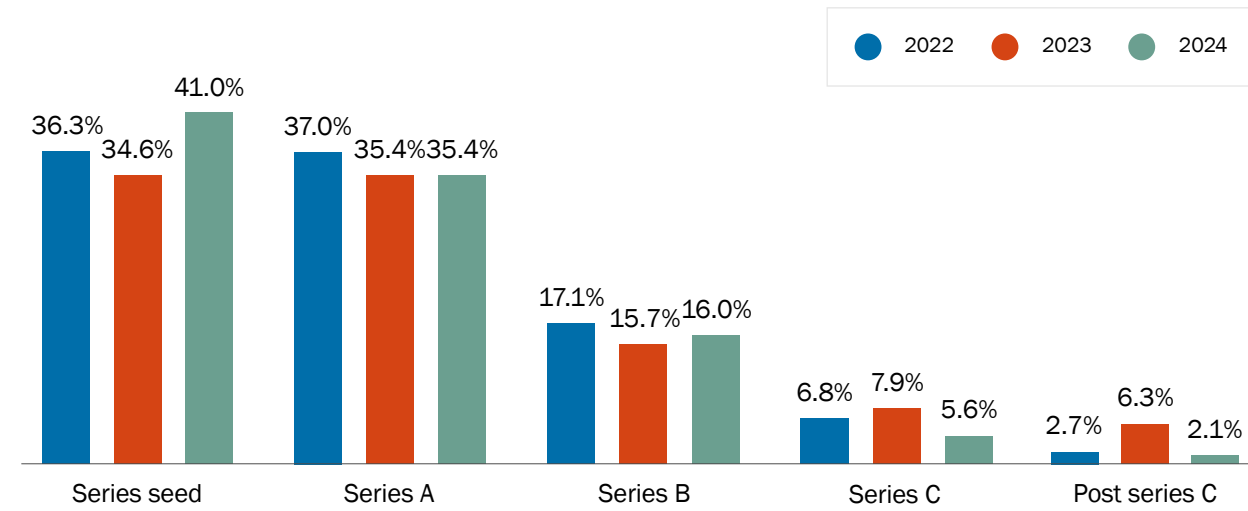


Figure 1.3b) Financing round by deal count

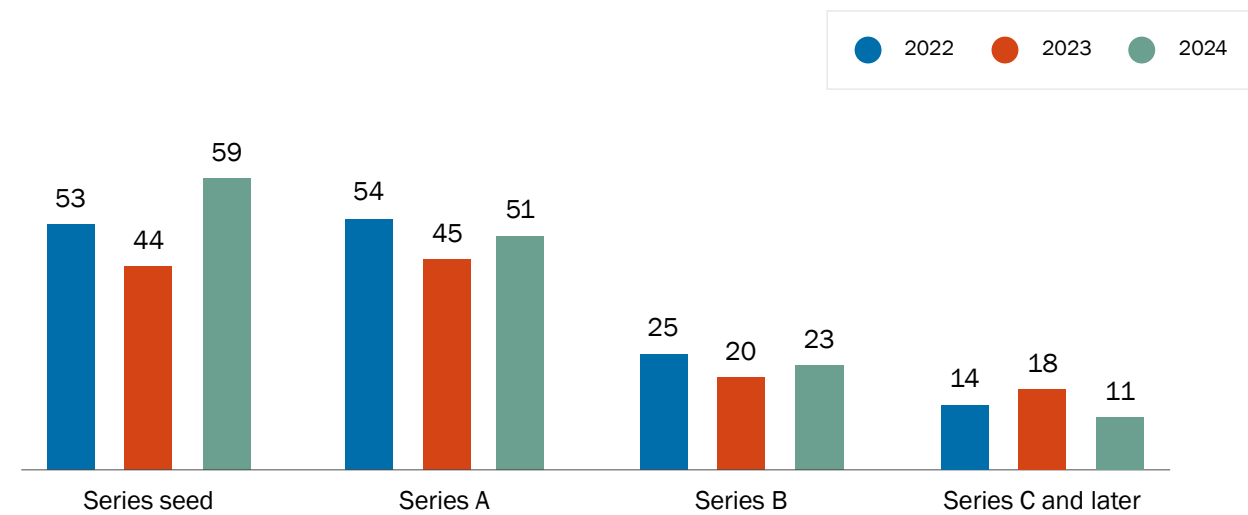
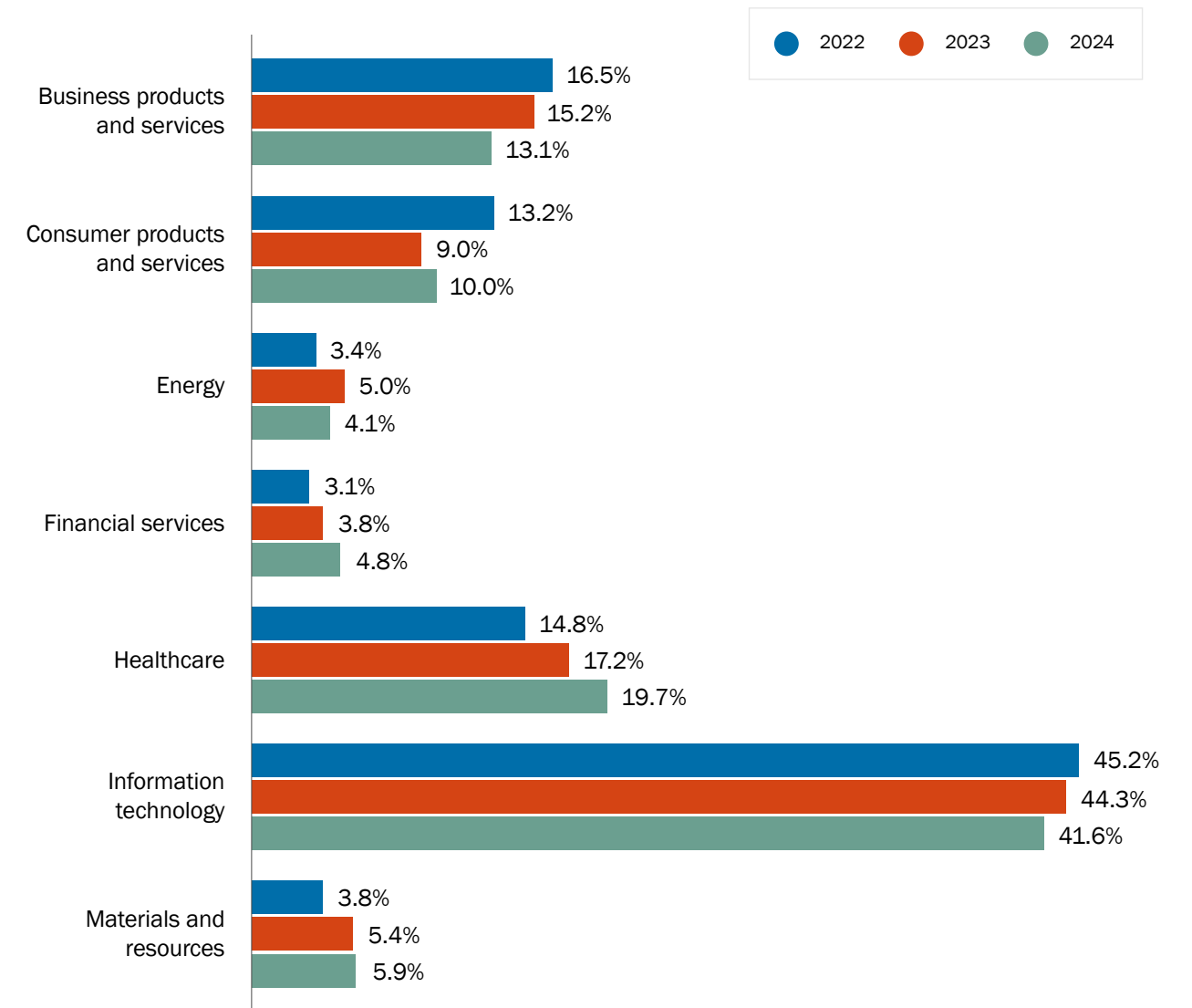


Figure 1.4) Deal activity by industry sector



Valuations



Figure 2.1) Financing valuations

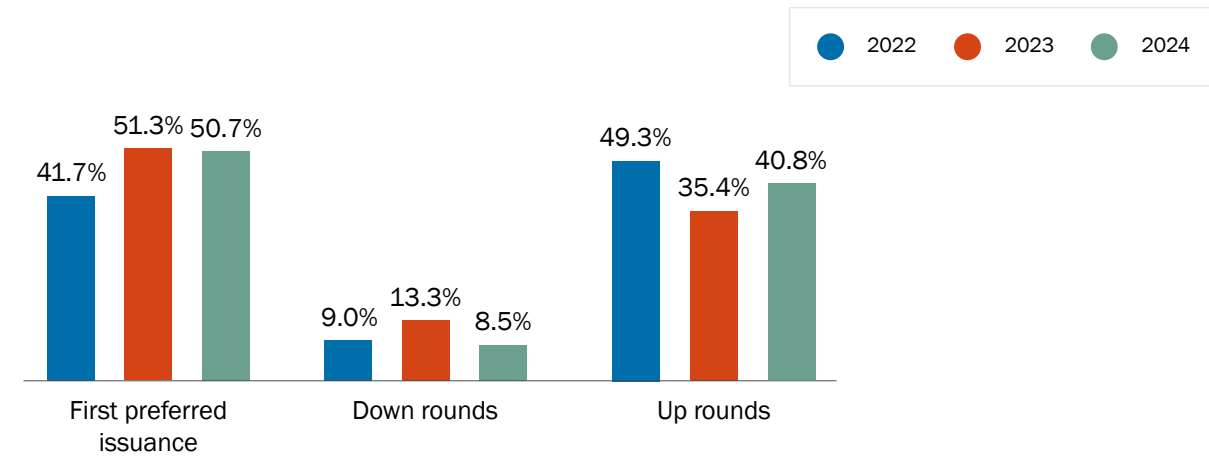


Figure 2.3) Valuation levels by stage

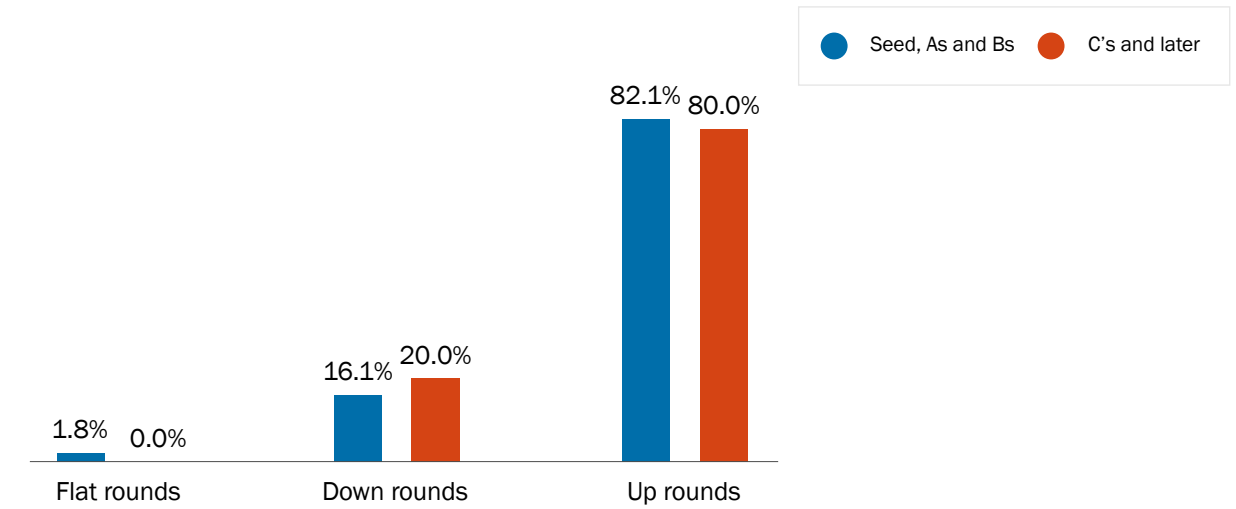
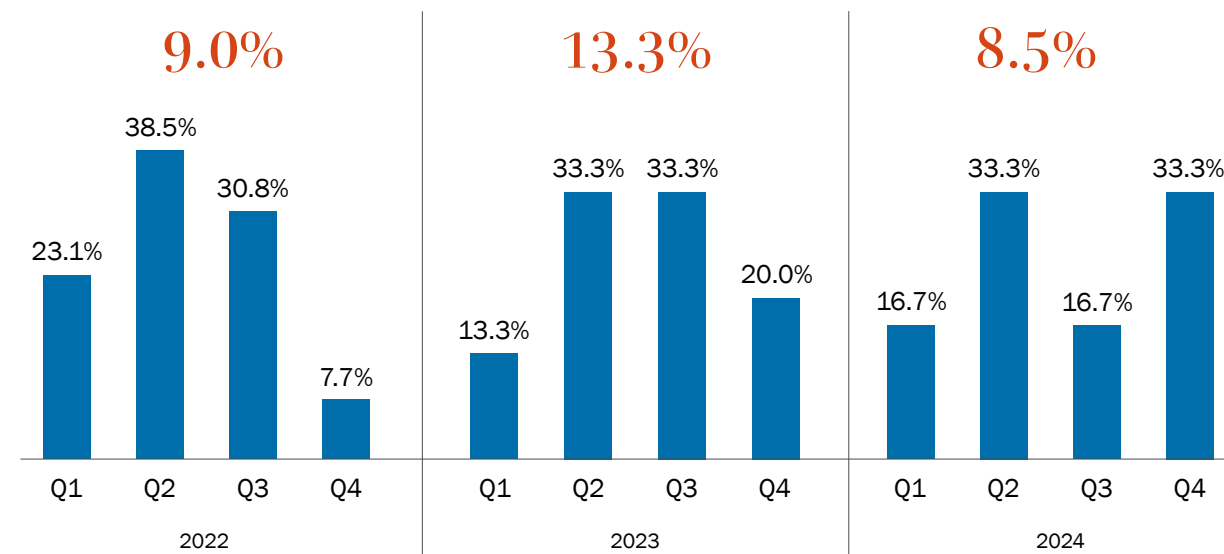


Figure 2.2) Down rounds by year



Dividend and liquidation matters



Figure 3.1) Dividend preference

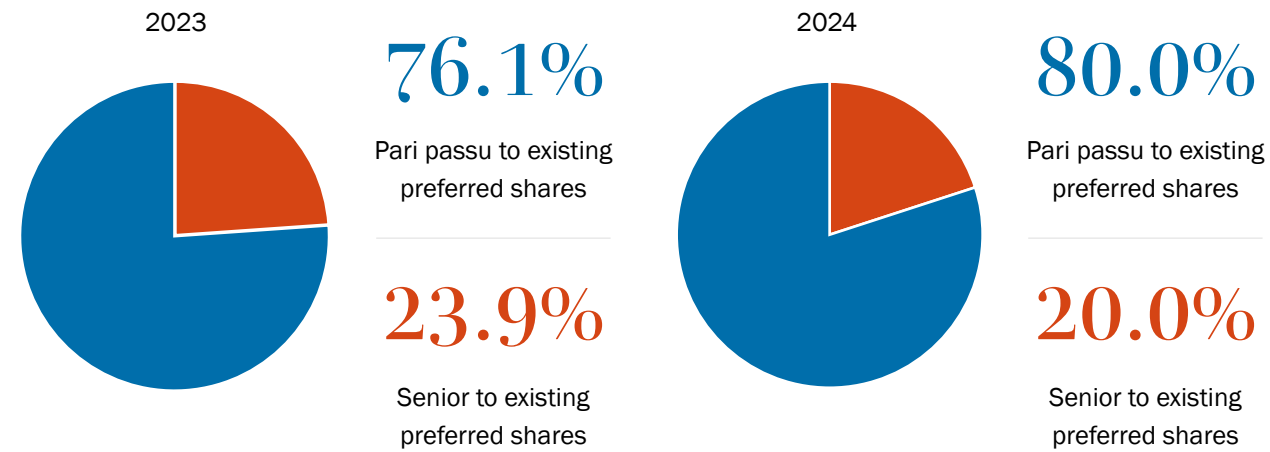


Figure 3.3a) Participating preferred shares

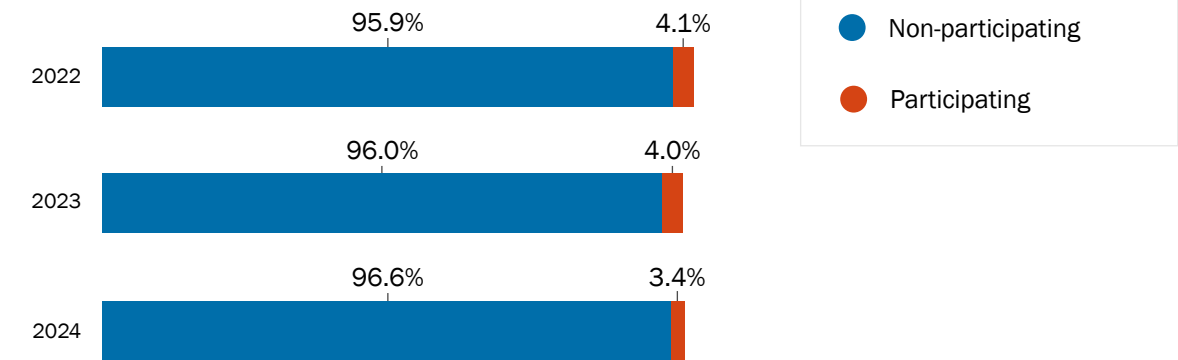


Figure 3.2) Liquidation preference

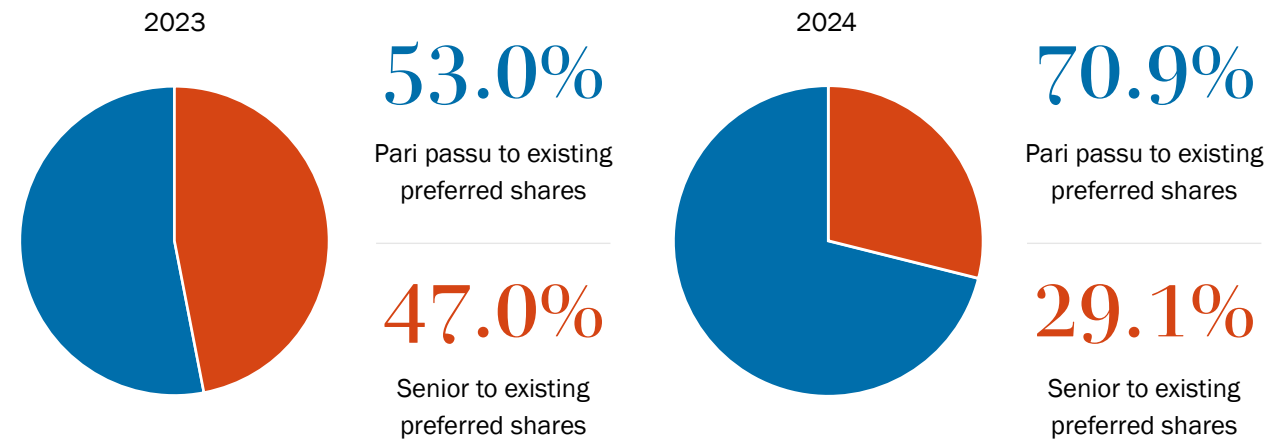


Figure 3.3b) Participating preferred shares (capped vs. uncapped)

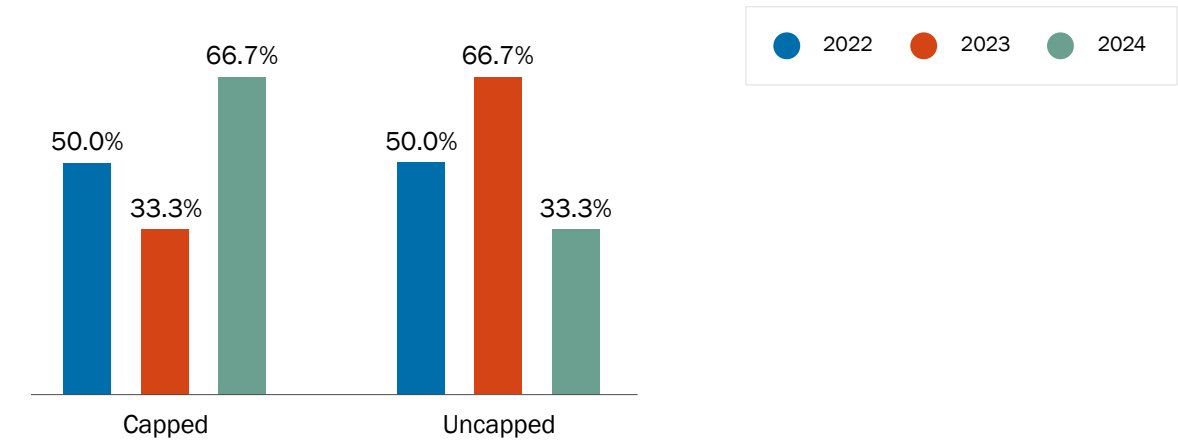


Figure 3.4) Non-participating shares (liquidation preference multipliers)

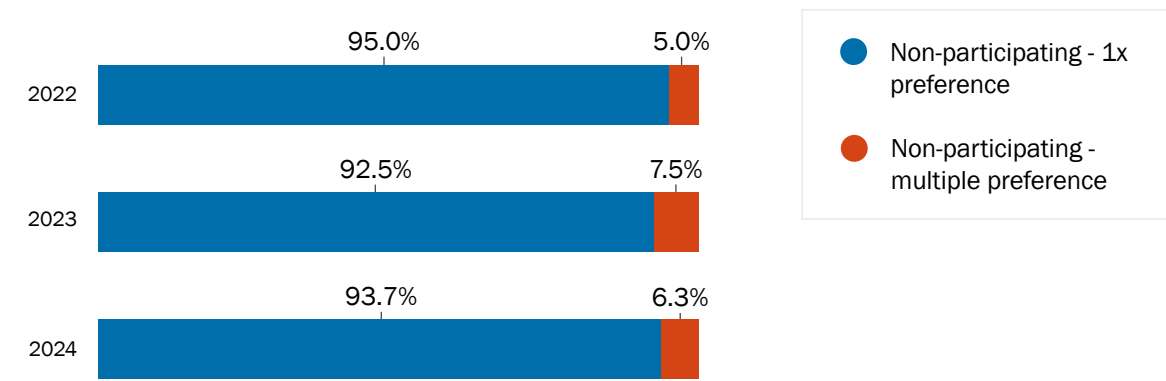
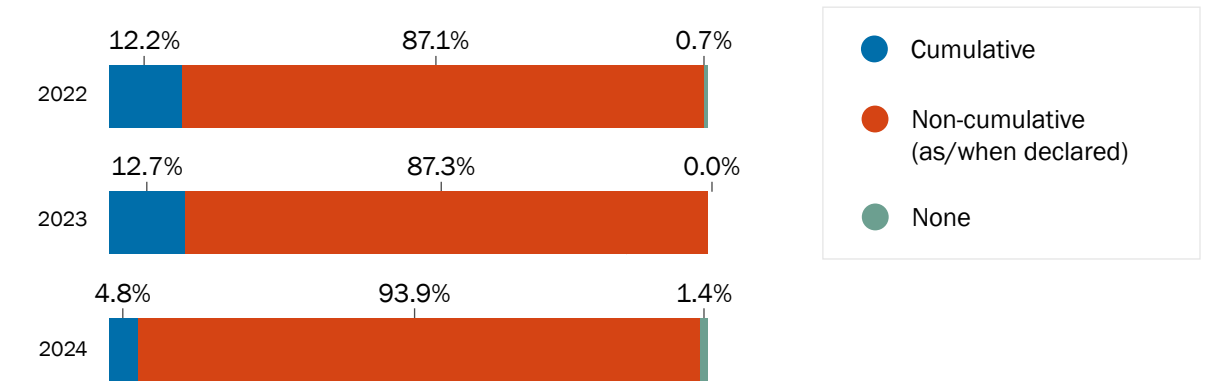


Figure 3.5) Dividend entitlements for preferred shares



Class/series approvals



Figure 4.1a) Protective provisions approval thresholds

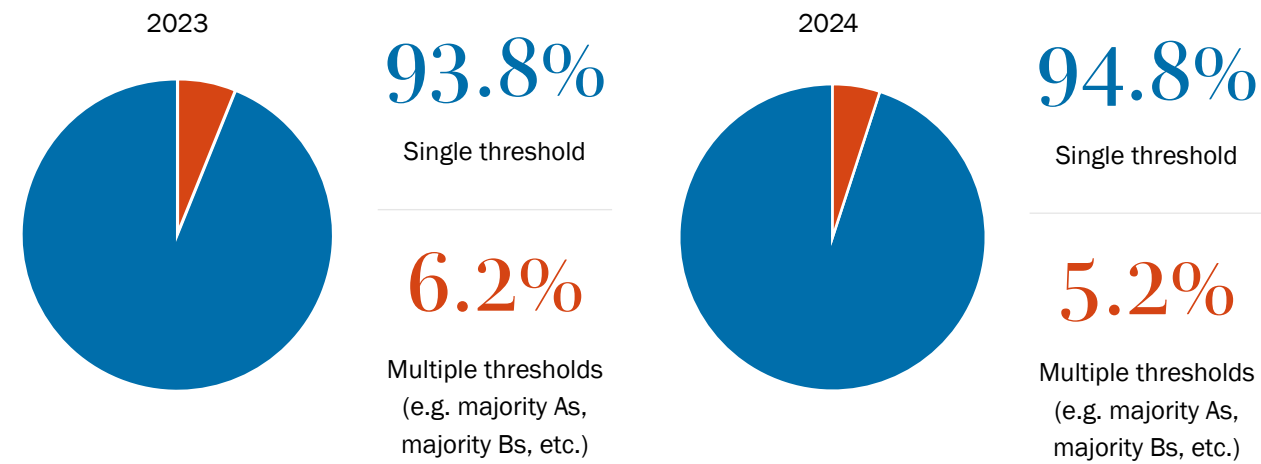


Figure 4.2) Class/series specific veto rights (subsequent financing rounds only)

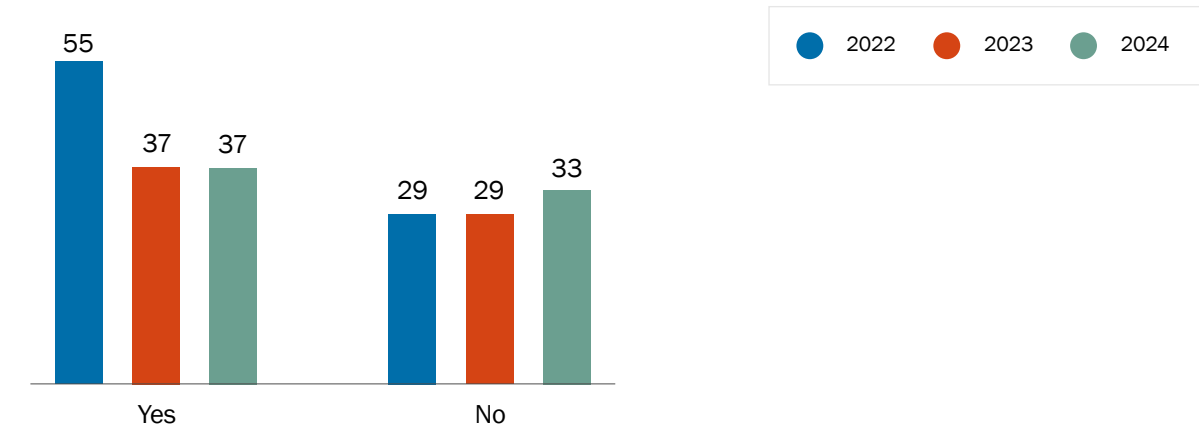
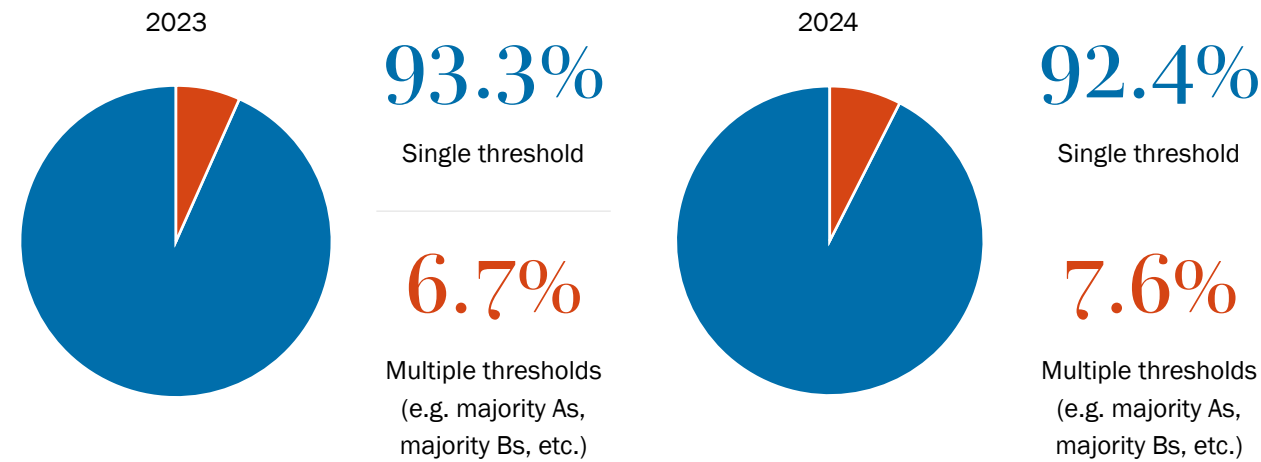
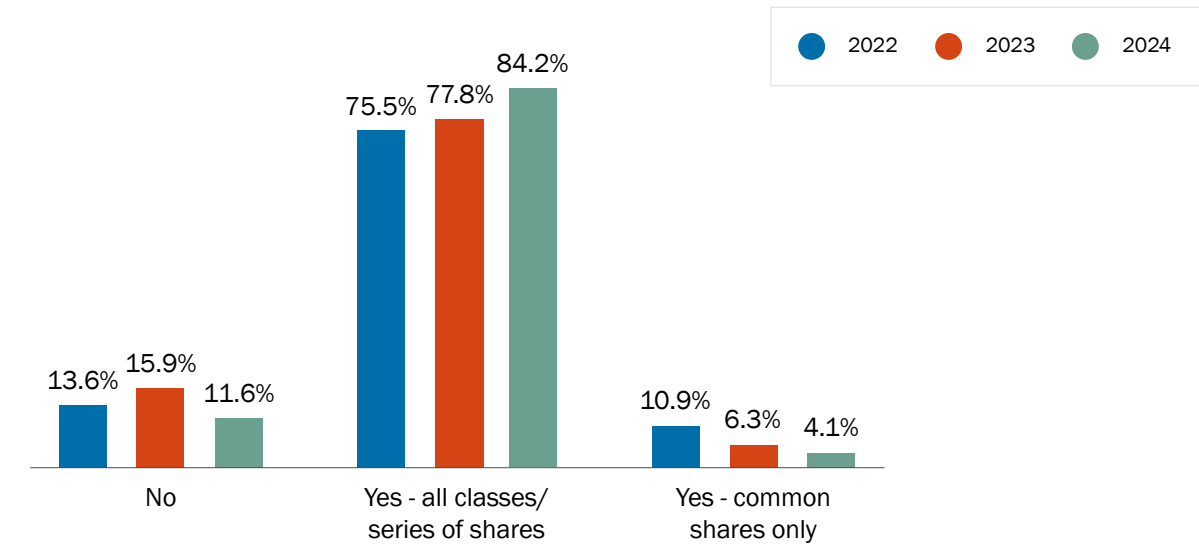


Figure 4.1b) Protective provisions approval thresholds*



*excluding first preferred share financings

Figure 4.3) Statutory permitted limitations on class voting



Financings data



Figure 5.1) Anti-dilution protections

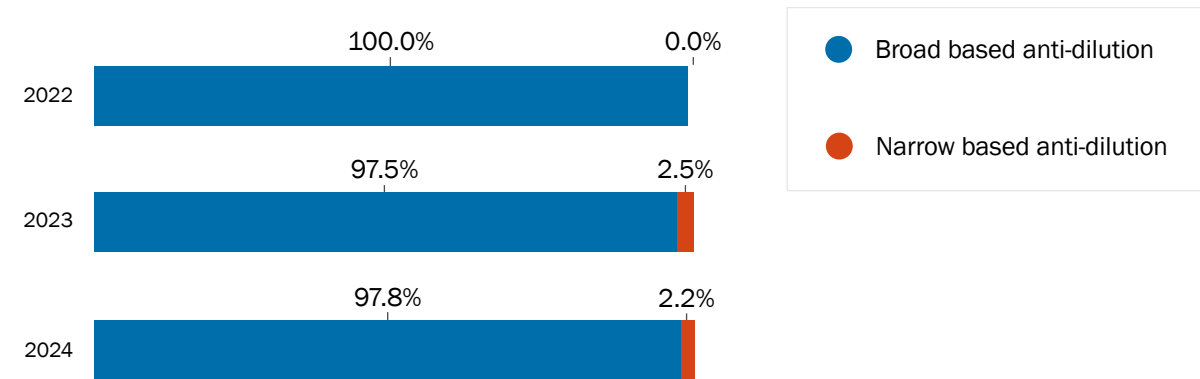


Figure 5.3) Redemption rights – if redeemable, is it at the company’s or investor’s option?

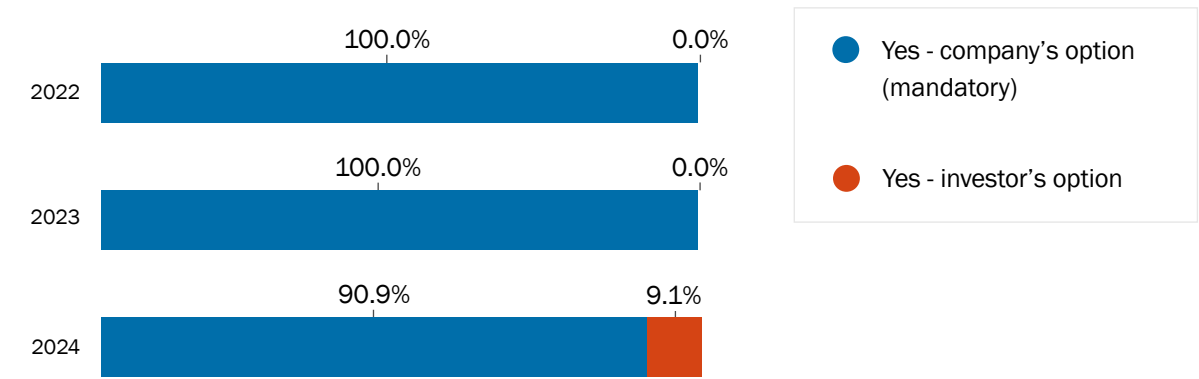


Figure 5.2) Redemption rights – are the preferred shares redeemable?

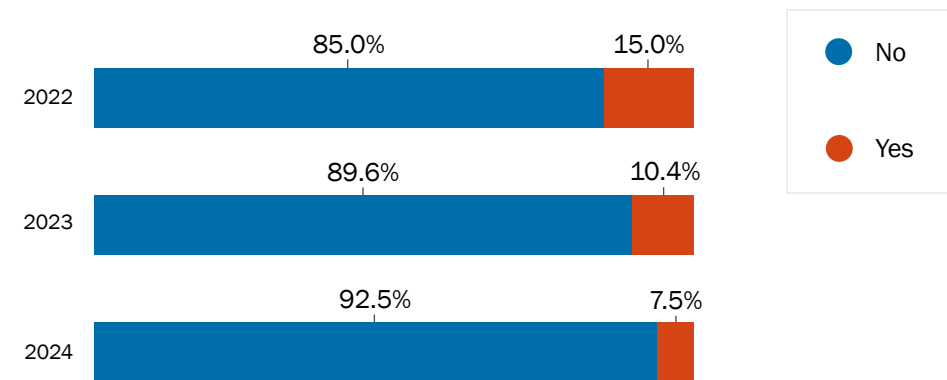


Figure 5.4) Pay to play provisions

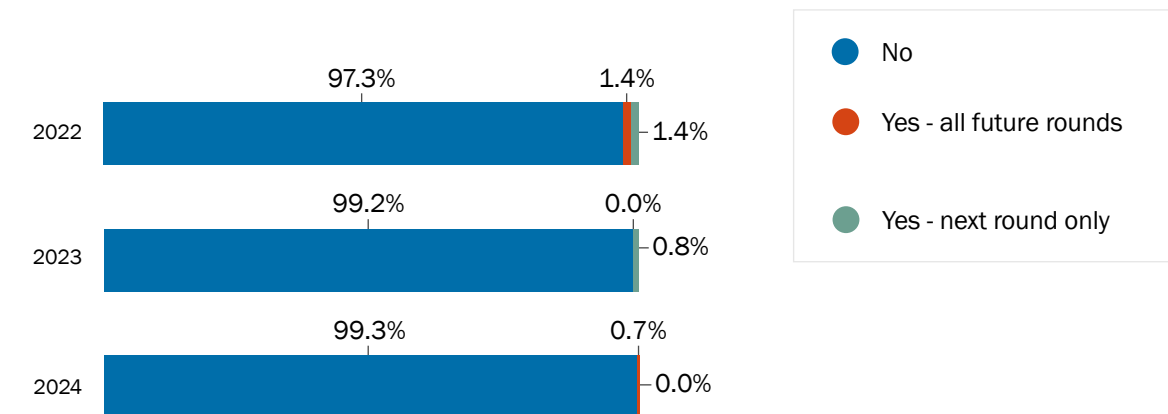


Figure 5.5a) Authorised preferred shares (capped vs. unlimited)

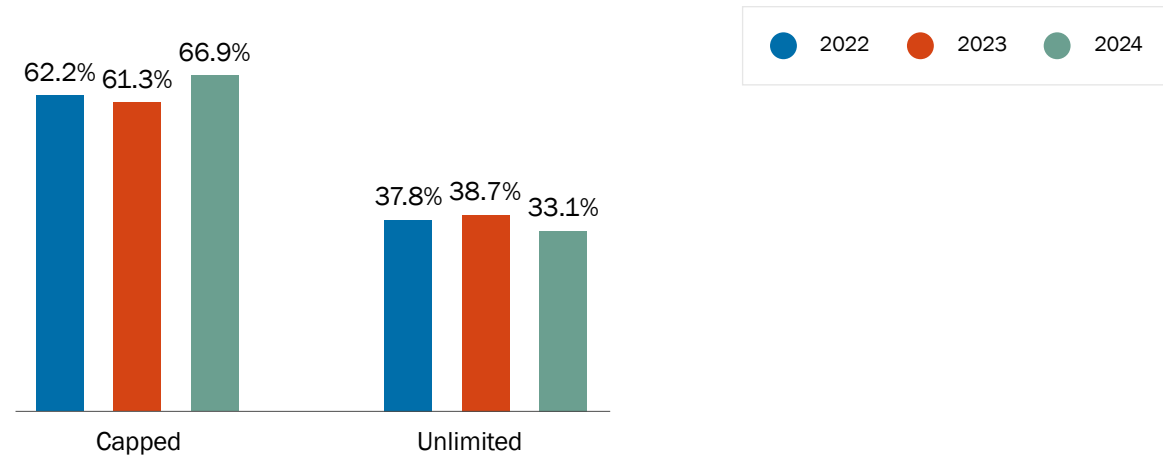
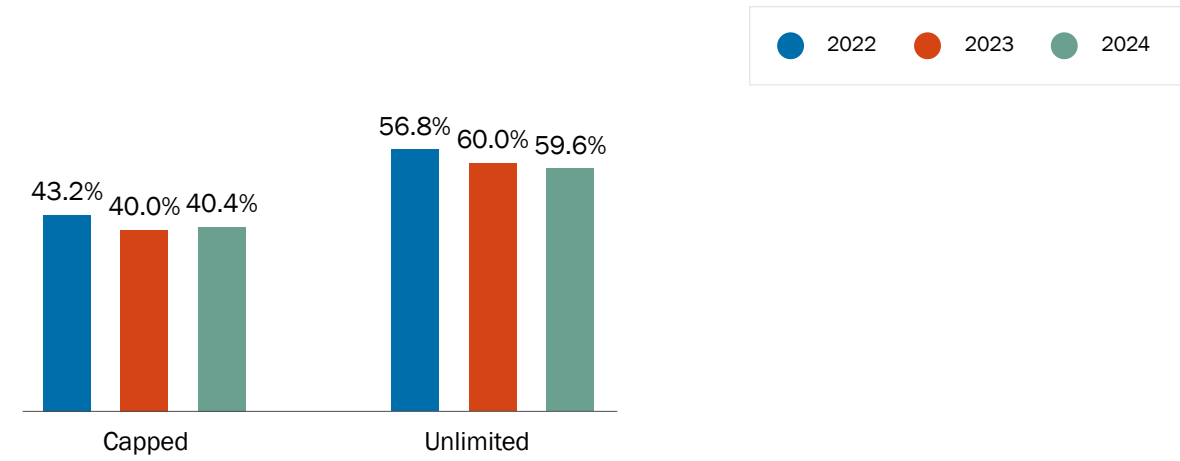


Figure 5.5b) Common shares (capped vs. unlimited)



IPO data



Figure 6.1) Qualified IPO thresholds by currency

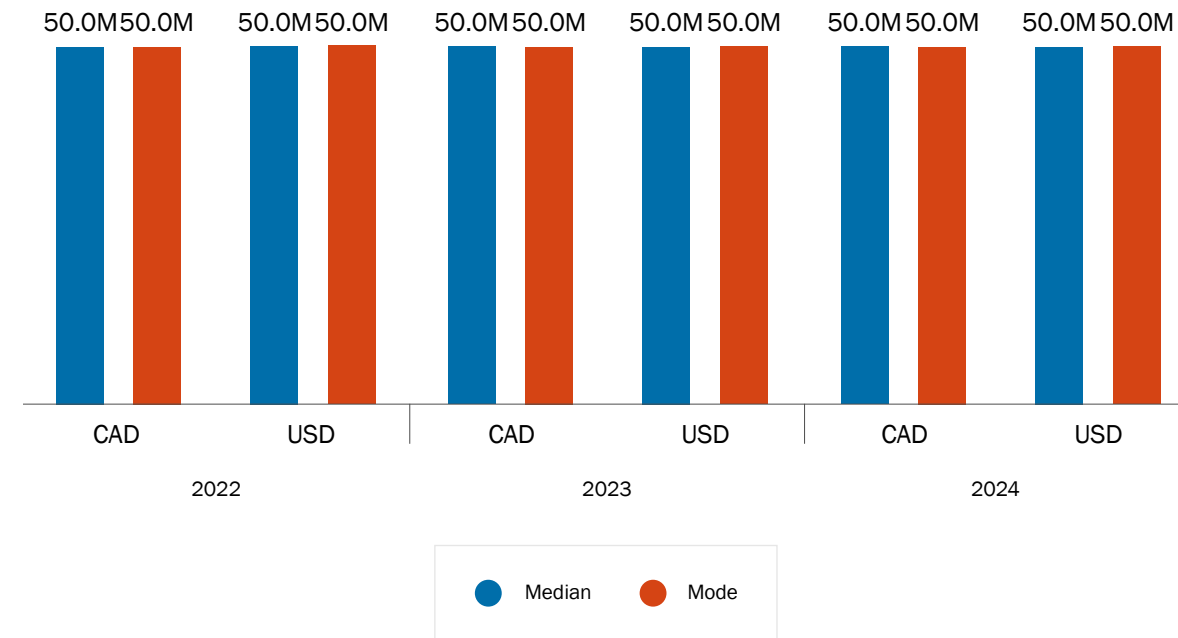


Figure 6.2) Qualified IPO thresholds: type of proceeds

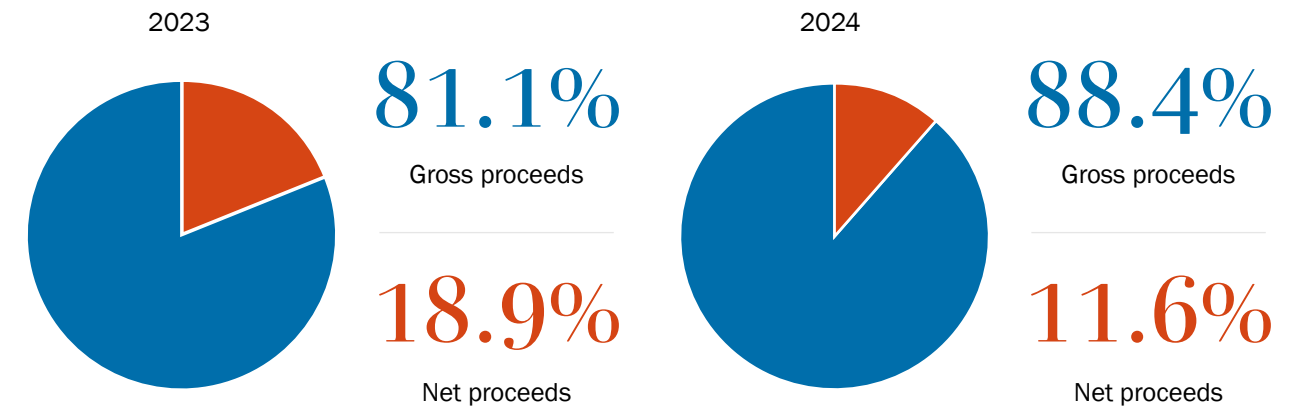


Figure 6.3) Qualified IPO thresholds: distribution of share price multiples

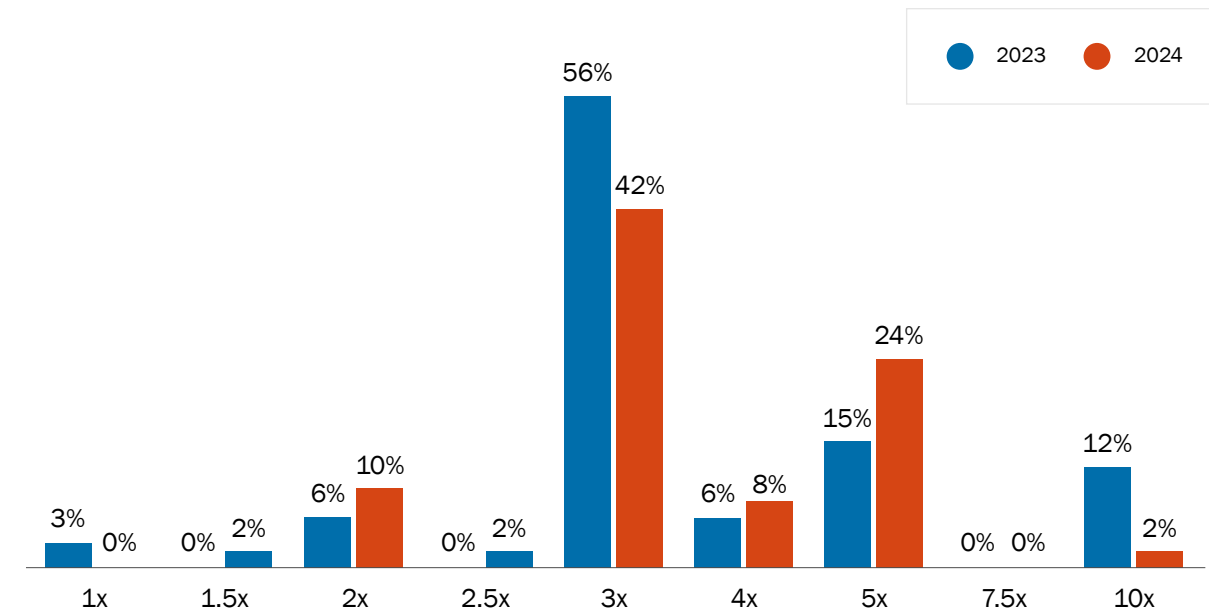
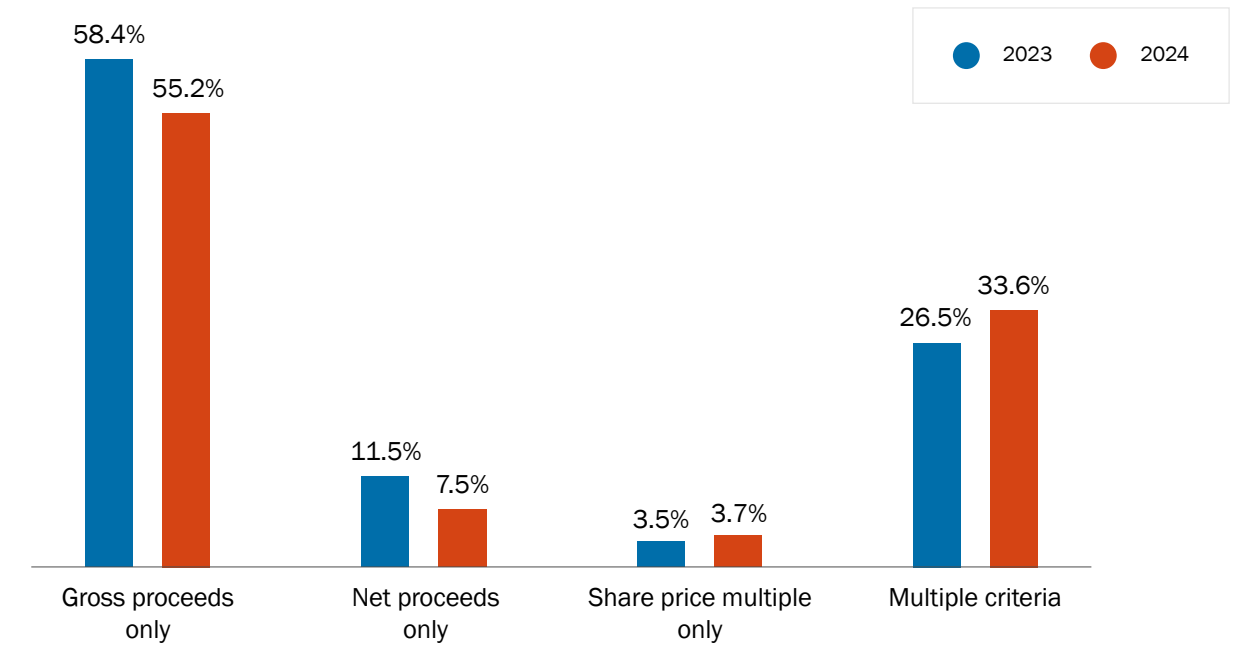


Figure 6.4) Qualified IPO thresholds: use of different thresholds



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About Torys LLP

Torys is a respected international business law firm with a reputation for quality, innovation and teamwork. Clients look to us for their largest and most complex transactions, as well as for ongoing matters in which strategic advice is key.

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