

CVCA Analysis: The Proposed \$750M Early Growth-Stage Envelope

The proposed \$750M envelope is intended to strengthen Canada’s innovation economy, reinforce domestic economic sovereignty, and capture long-term domestic value. Both early-stage formation and growth-stage progression contribute to ecosystem performance. The analysis below evaluates stage-level participation patterns, capital deployment behaviour, and historical allocation trends relevant to domestic ownership continuity and economic anchoring outcomes.

A. Capital Structure and Deployment Behaviour (2021–2025)

Recent data indicates a shift in capital deployment patterns following the 2021–2023 expansion cycle.

Observed Shift	Key Metric	Source
Reduced capital available for new companies	Share of dry powder available for initial cheques declined from 81% (2022) to 42% (2025), with more capital reserved for follow-on investments	RBCx: Capital Under Pressure (Jan 2026)
Greater capital concentration	Median cheque size increased while total deal count declined	NACO: 2025 Annual Report (Oct 2025)
Fewer new early-stage financings	Early-stage deal counts contracted faster than dollars, consistent with selectivity and follow-on prioritization	CVCA: Q3 2025 Market Report (Nov 2025)

These patterns are consistent with normalization following the pandemic-era peak and reflect a more selective funding environment. Capital is increasingly concentrated into fewer companies, with managers reserving capital for existing portfolio support.

A higher share of reserved capital reduces the number of new companies funded and increases reliance on existing portfolio concentration, which directly affects progression rates across stages.

This structural shift does not eliminate formation activity, but it alters progression dynamics and reinforces the importance of stage-level participation patterns when evaluating domestic capacity at scale.

Scale-stage participation also affects the reinvestment cycle. When growth rounds and exits are led domestically, capital, experience, and networks are more likely to recycle into the next generation of companies.

B. Structural Capacity Constraint at Growth Stage

Domestic vs Foreign-Linked Participation by Round Size (2025)

Round Size	Canadian-Only Share	Canadian–U.S. Syndicate Share	Other/International Share	Difference in Canadian-Only Share (percentage points)
Under \$5M	80.9%	12.0%	Remainder	—
Over \$50M	29.6%	66.7%	Remainder	–51.1

Canadian investors represent a majority of early formation rounds. In 2025, Canadian-only participation accounted for 80.9% of rounds under \$5M.

At \$50M+ rounds, Canadian-only participation declines to 29.6%, while Canadian–U.S. syndicates account for 66.7%.

Foreign capital remains integral to the Canadian ecosystem. The structural consideration is whether Canada has sufficient domestic lead capacity at larger round sizes to participate alongside it.

Lead participation at growth scale is typically associated with:

- Board composition
- Pro rata allocation capacity
- Exit pathway influence

These rights influence where key strategic decisions are made and where long-term economic benefits accrue.

Lead Investor Domicile (Largest Canadian Growth Rounds, 2021–2024)

Analysis of 35 of the largest Canadian growth financings shows the following lead investor distribution:

Lead Investor Domicile	Number of Deals	% of Top Rounds
United States	20	57.1%
Canada	10	28.6%
Other International	5	14.3%
Total	35	100%

Source: RBCx Data (February 2026). Full transaction list provided in Appendix B.

Lead investor participation in the largest Canadian growth rounds is concentrated among non-Canadian investors, with domestic lead participation limited to a smaller number of managers.

Concentration of lead capital outside Canada may increase exposure to external policy and capital market shifts.

This distribution provides additional context when evaluating domestic scale-stage capacity.

Acquisition Domicile by Capital Raised at Exit (VC-Backed Companies) (2021-2025) *

Exit outcomes provide an observable indicator of where control and economic value are ultimately realized.

Total Capital Raised by time of Acquisition	Acquirer Domicile		
	US	Canada	All Other Countries
<\$5M	50.00%	30.00%	20.00%
\$5M - \$20M	70.83%	20.83%	8.33%
\$20M - \$50M	60.00%	20.00%	20.00%
\$50M - \$100M	55.56%	11.11%	33.33%
\$100M+	38.46%	23.08%	38.46%
Undisclosed	85.71%	14.29%	0.00%

Source: CVCA Intelligence Data (Feb. 2025)

*Includes Canadian-headquartered companies with at least one VC round that exited via M&A between 2021–2025. Percentages reflect count-based distribution of acquirer domicile within each capital-raised category.

Across capitalization thresholds, acquisition by U.S. buyers represents a substantial share of exits, particularly after

companies have raised significant levels of capital. Canadian acquirer share remains limited across most size categories.

Foreign acquisition is a normal feature of open capital markets. However, when combined with participation patterns at growth rounds, the distribution of acquirer domicile provides additional context for long-term anchoring objectives.

RBCx analysis of VC-backed technology M&A (2010–2025) shows that in the United States, domestic buyers account for more than 80% of transactions, equivalent to roughly a 5.0x domestic-to-foreign buyer ratio. In Canada, domestic buyers account for approximately 40% of transactions, equivalent to a 0.7x domestic buyer ratio. See Appendix D for cumulative transaction comparison.

An additional view of acquisition domicile by the last financing stage prior to exit shows cross-border acquisition patterns across most stages. Given smaller sample sizes at certain series levels, this analysis is provided in Appendix C for reference.

IPO Listing Jurisdiction of Canadian VC-Backed Companies (2013–2025)

IPO listing jurisdiction varies by capitalization threshold. Among Canadian VC-backed IPOs, companies raising less than \$20M prior to IPO listed exclusively on Canadian exchanges, while companies raising \$50M or more were as likely to list on U.S. exchanges as Canadian ones. This divergence at higher capitalization levels is consistent with broader scale-stage anchoring dynamics.

Total Capital Raised by time of IPO	Stock Exchange Domicile			
	US Stock Exchanges	Canadian Stock Exchanges	Joint Canadian/US Listing	Other
0. Undisclosed	0.00%	100.00%	0.00%	0.00%
1. <\$5M	0.00%	100.00%	0.00%	0.00%
2. \$5M - \$20M	0.00%	100.00%	0.00%	0.00%
3. \$20M - \$50M	33.33%	66.67%	0.00%	0.00%
4. \$50M - \$100M	50.00%	50.00%	0.00%	0.00%
5. \$100M+	45.00%	45.00%	5.00%	5.00%

Source: CVCA Intelligence Data (Feb. 2025)

*Includes Canadian-headquartered companies with at least one VC round that exited via IPO between 2013–2025. Percentages reflect count-based distribution of public listing domicile within each capital-raised category.

C. Early-Stage Formation Context

Early-stage activity remains a foundational component of ecosystem health.

Application volumes have held steady at approximately 8,000 per year, indicating sustained entrepreneurial demand.

Canadian Angel Investment Activity (2021–2024)

Metric	2021	2022	2023	2024
Applications	7,753	7,982	7,972	~8,100*
Angel Deals	635	653	414	613

Metric	2021	2022	2023	2024
Angel Dollars	\$262.1M	\$166.0M	\$114.9M	\$146.2M
Selectivity Rate**	8.2%	8.2%	5.2%	7.56%

Source: NACO Annual Reports (2021–2024)

* Preliminary estimate based on NACO (Oct 2025).

** Selectivity Rate calculated as Angel Deals divided by Applications.

Across 2021–2024, early-stage volumes reflect cyclical contraction following pandemic-era expansion. Selectivity tightened in 2023 and partially recovered in 2024.

Total pre-seed and seed deployment in 2025 remained below 2023 levels consistent with broader declines observed across most stages of Canadian VC as investors maintained a more selective approach to capital deployment.

Deal count reductions can reflect a range of factors, including higher investor selectivity, fewer fundable opportunities, broader macroeconomic uncertainty, and founders choosing to incorporate or build in other markets for reasons that extend beyond financing alone.

This contraction mirrors broader North American post-peak normalization and does not represent an absence of early-stage activity.

Entrepreneurial demand persists, and early-stage financing continues across regions and sectors.

Early-stage capital remains essential. Scale outcomes depend not only on early-stage formation but also on progression and governance capacity at later stages.

Section B demonstrates that the most pronounced shift in domestic participation occurs at larger round sizes.

D. Historical Federal Allocation Patterns (VCAP and VCCI I)

Federal venture programs have materially supported early-stage capital formation. Independent analysis conducted by RBCx (February 2026) examined capital allocation across VCAP and VCCI I and assessed stage-level distribution patterns.

Across both programs:

- 63–71% of fund count and 56% of committed capital were allocated to seed and early-stage funds.
- ICT accounted for 63–81% of committed capital.
- Growth-stage ICT funds represented a minority of total allocations.

RBCx analysis indicates that while early-stage formation capacity expanded under these programs, later-stage domestic growth capacity developed more gradually and at smaller relative scale.

Within growth-stage ICT funds receiving capital:

- Under VCAP: 6 Canadian growth funds invested in 116 companies; 36% were Canadian.
- Under VCCI I: 9 Canadian growth funds invested in 137 companies; 40% were Canadian (including some overlap).

These figures suggest that federal program design has historically emphasized formation and early-stage scale-up, with

comparatively thinner allocation toward domestic growth-stage capacity.

This allocation structure supported early-stage formation, while domestic scale-stage lead capacity developed at a more gradual pace.

E. Distribution of Canadian VC Funds by Investment Stage

Fund stage focus among Canadian VC funds raised since 2021 has been concentrated at the earliest stages. The majority of funds target pre-seed, seed, or early-stage investing. A smaller share of funds have been raised with an explicit later-stage or growth mandate. This distribution indicates that new fund formation over the period has been weighted toward early pipeline development, with fewer new vehicles focused on financing companies at scale.

Active Canadian VC Funds by Investment Stage (2021-2025)

Categories	Fund Count	Total Fund Size (CAD \$M)	% of Total Funds
Pre-seed	25	727.59	23.81%
Seed	35	856.39	33.33%
Early Stage	30	1,775.55	28.57%
Later Stage	9	1,086.65	8.57%
Growth Stage	6	1,048.51	5.71%
Totals	105	5,494.67	100%

Source: CVCA Intelligence Data (Feb. 2026)

*Includes Canadian-headquartered funds with vintages between 2021-2025. Percentages reflect the distribution of fund counts within each capital raised category. Funds are classified using Fund Target Deal Types, Fund Target Round Types, and fund name descriptors. Pre-seed and Seed are treated as distinct categories.

Pre-seed, Seed, and Early Stage funds represent approximately 86% of fund count over the period.

Early-stage funds are typically smaller by mandate; however, fund count illustrates where new vehicles have been formed. The majority of new fund formation since 2021 has been concentrated at the earliest stages.

By comparison, later-stage and growth-stage mandates represent a much smaller share of new fund vehicles. This indicates that while early pipeline infrastructure continues to expand, the number of new domestic funds dedicated to leading large growth rounds remains limited.

APPENDICES

Appendix A - Methodology, Definitions, and Scope

This appendix outlines the methodological framework used to assess stage-level participation patterns and anchoring dynamics.

1. Participation Classification

Canadian-Only Participation

Rounds in which all identified participating investors are headquartered in Canada.

Canadian-U.S. Syndicate Participation

Rounds in which at least one Canadian-headquartered investor and at least one U.S.-headquartered investor participated.

Other/International Participation

Rounds involving investors headquartered outside Canada and the United States.

Participation shares are calculated on a round-count basis unless otherwise specified.

2. Lead Investor Domicile

Lead investor domicile reflects the headquarters location of the designated lead investor for a financing round. Headquarters location is determined using publicly available firm information.

Lead status is used as a proxy for governance influence, including board participation and transaction structuring authority.

Lead participation does not imply exclusivity of influence but is widely recognized as a material governance position within venture financing structures.

3. Exit Domicile Classification

Acquisition domicile reflects the headquarters location of the acquiring firm.

The acquisition dataset includes Canadian-headquartered companies that:

- Raised at least one venture capital round, and
- Exited via merger or acquisition between 2021–2025.

Percentages reflect count-based distribution of acquirer domicile within each capital-raised category.

Foreign acquisition is a normal feature of open capital markets. When combined with growth-stage participation patterns, it illustrates where governance and capital market influence concentrate at scale.

4. Capital Structure Indicators

Dry powder allocation data (RBCx: Capital Under Pressure, January 2026) reflects the share of committed capital available for initial cheques versus reserved for follow-on investments.

Selectivity rate (angel activity) is calculated as:

$$\text{Angel Deals} \div \text{Applications}$$

Early-stage normalization comparisons reference broader North American venture cycle trends (2021–2023 peak followed by 2024–2025 moderation).

5. Scope Limitations

- Round participation metrics are count-based and do not weight by dollar amount.
- IPO data may not include dual listings where domicile classification is ambiguous.
- Exit analysis excludes IPO unless explicitly stated.
- Cross-border capital participation does not inherently imply loss of economic value.
- The purpose of this appendix is analytical transparency rather than normative interpretation.

Appendix B

Full Growth-Stage Financing Dataset (2021–2024)

The following dataset includes 35 of the largest Canadian growth-stage venture financings between 2021 and 2024, as identified through RBCx data (February 2026).

Lead Investor Distribution in Largest Canadian Growth Rounds (2021–2024)

Company	Deal Size (USD \$M)	Lead Investor	Lead Investor Domicile	Round Stage	Deal Date
Clio	1,231	NEA	United States	Series F	Jul-24
1Password	825	ICONIQ Growth	United States	Series D	Jan-22
Wealthsimple	750	Meritech / Greylock	United States	Series D	May-21
Cohere	684	PSP Investments	Canada	Series D	Jul-24
Trulioo	476	TCV	United States	Series D	Jun-21
Blockstream	461	Baillie Gifford	United Kingdom	Series B	Aug-24
Assent Compliance	448	Vista	United States	Series C	Dec-21
Dapper Labs	440	Coatue	United States	Series C	Mar-21
KOHO	380	Drive Capital	United States	Series D	Dec-23
Cohere	365	Inovia	Canada	Series D	Jun-23
ApplyBoard	363	Ontario Teachers' Pension Plan	Canada	Series D	Jun-21
Neo	362	Tencent	China	Series D	Oct-24
Paper Education	342	Sapphire	United States	Series D	Feb-22
Dapper Labs	318	Coatue	United States	Series D	Mar-22
Waabi	274	Khosla Ventures	United States	Series B	Jun-24
Lithium Technologies	273	IMM Global	South Korea	Series A	Aug-22
Hydrostor	250	Goldman Sachs	United States	Series C	Jan-22
Tailscale	229	Accel	United States	Series C	Apr-25
AyaCare	225	Generation Investment	United Kingdom	Series D	Jun-21
Hopper	220	GPI Capital	United States	Series F	Aug-21
QScale	195	Desjardins	Canada	Series D	Jul-22
Talent.com	191	Inovia	Canada	Series B	Mar-22
KOHO	190	Proper Growth	Canada	Series C	Dec-24
Neo	185	Valar Ventures	United States	Series C	Jun-22
RenoRun	181	Tiger Global	United States	Series B	Dec-21
Gan Systems	180	Fidelity	United States	Series D	Nov-21
Blue J	167	Oak HC/FT / Sapphire	United States	Series D	Aug-25
Top Hat	166	Georgian	Canada	Series E	Feb-21
FreshBooks	164	Accomplice	United States	Series E	Aug-21
Ada	162	Spark Capital	United States	Series C	May-21
Untether AI	153	Tracker	Canada	Series B	Jun-21
Xanadu	137	Georgian	Canada	Series C	Nov-22
Jobber	135	General Atlantic	United States	Series D	Jan-23

Company	Deal Size (USD \$M)	Lead Investor	Lead Investor Domicile	Round Stage	Deal Date
Kepler	126	IA Financial	Canada	Series C	Apr-23
League	120	TDM Growth	Australia	Series C	Feb-22

- Source: RBCx Data (February 2026)

This sample represents a substantial share of total capital deployed in Canadian growth-stage rounds during the period. Lead investor domicile distribution is calculated on a deal-count basis.

Appendix C

Acquisition Domicile by Series at Exit (VC-Backed Companies) (2021-2025) *

Last Round Raised before Acquisition	Country of Acquirer		
	US	Canada	All others
Pre-Seed	50.00%	0.00%	50.00%
Seed	59.38%	31.25%	9.38%
Series A	61.11%	16.67%	22.22%
Series B	64.29%	14.29%	21.43%
Series C	60.00%	0.00%	40.00%
Series D	0.00%	50.00%	50.00%
Series F	0.00%	0.00%	100.00%
Undisclosed	64.29%	21.43%	14.29%

Source: CVCA Intelligence Data (Feb. 2025)

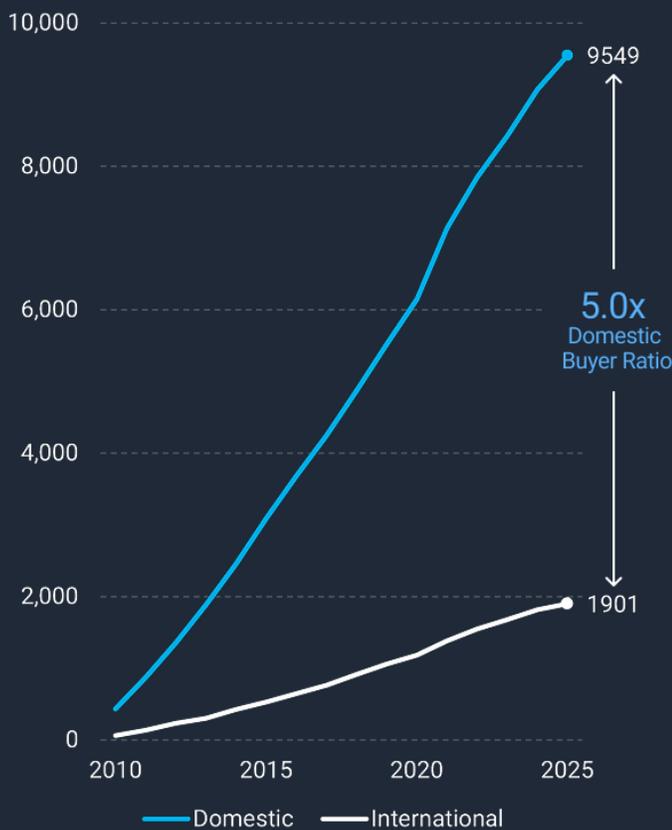
*Includes Canadian-headquartered companies with at least one VC round that exited via M&A between 2021–2025. Percentages reflect count-based distribution of acquirer domicile within each capital-raised category.

Appendix D

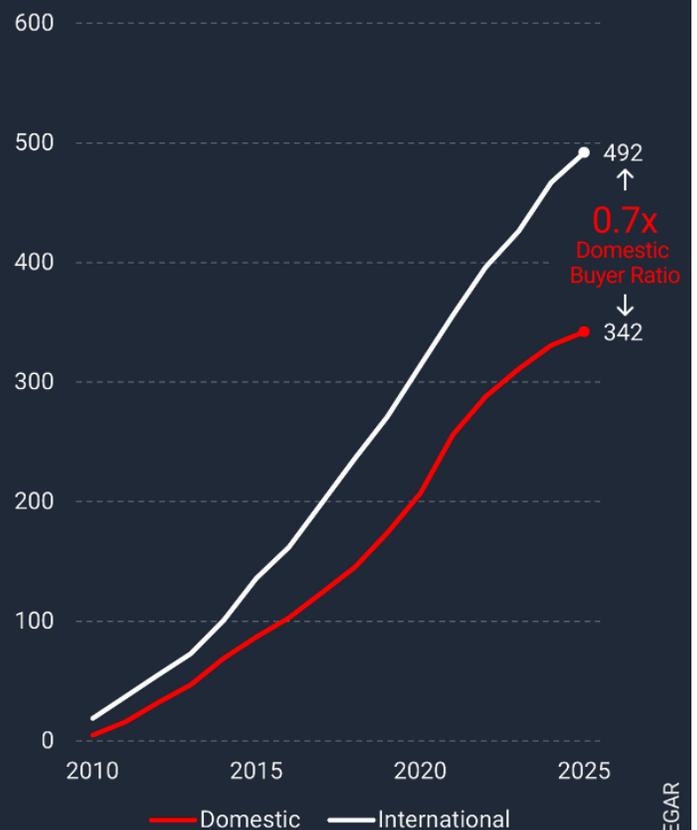
The Domestic vs. Foreign M&A Gap

Since 2010, more than 80% of U.S. VC technology M&A transactions have been led by U.S. firms, creating a strong engine for ownership retention and domestic liquidity generation. Conversely, in Canada, domestic buyers led only 40% of tech M&A, highlighting the opportunity and need to deepen our base of local acquirers. Strong domestic M&A isn't just about exits - it's about reinforcing long-term innovation capacity.

Cumulative U.S. M&A Transactions by Buyer Origin (2010 - 2025)



Cumulative Canadian M&A Transactions by Buyer Origin (2010 - 2025)



Note: Data sourced from PitchBook; includes VC-backed technology M&A transactions (2010–2025). Analysis covers 11,450 U.S. and 834 Canadian transactions.