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Tech insight for private equity: high-value Canadian assets in an investment-ready market

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As the longest standing practice ranked as Band 1 in *Chambers Canada* for Startups & Emerging and High Growth Companies, Osler is on the front lines of the trends shaping our innovation economy. For our PE clients and cross-border partners, the story in late 2025 is a tale of two very different markets: a venture capital ecosystem in a period of recalibration and a private equity landscape rebounding and with a positive upward trajectory.

The VC cooldown and the PE surge

The venture market has been defined by caution in 2025. Following a slow start, the CVCA's H1 2025 report showed Canadian VC investment hit its lowest mid-year total since 2020, with dollars invested down 26% from the first half of 2024.[1] This weakness continued into the third quarter.[2]

In contrast, Canadian PE investment re-surged in the third quarter of 2025. For further insights on the PE market, please see our Market Insights article, "Private equity in Canada: a market worth monitoring."

For PE investors, this disconnect is the key opportunity. While VCs are pulling back, high-quality assets remain, and the market is stepping in to fill the gap, deploying capital through secondary buyouts of early investors and using structured equity for growth.

The market's bright spots

Even in a cautious VC market, strong emerging companies are getting funded. The latest data shows clear momentum in several key sectors:

- AI remains the dominant tech success story: a recent study found 75% of large Canadian businesses now consider AI a strategic, enterprise-wide priority, with nearly all planning to invest in it over the next two years.[3] This creates a rich ecosystem of appealing acquisition targets for PE funds looking to build out AI platforms.
- Resilient sectors: cleantech (environmental tech) and fintech both saw significant increases

in funding in the first half of 2025, with cleantech investment rising 160% over H1 2024.[4]

Life sciences also showed good resilience, securing above-average investment.[5]

The cross-border blueprint: a path to growth and exits

One of the defining trends of the Canadian tech ecosystem, and a central pillar of the value proposition for PE investors, is its deep integration with the U.S. This integration creates clear advantages for investors on both sides of the border:

- U.S. firms get a pipeline of high-quality, innovative Canadian tech companies that are often available at a more compelling valuation than their U.S. counterparts.
- Canadian companies are often already primed to enter the U.S. market, making them attractive tuck-in acquisitions or platform-ready assets.
- For Canadian PE firms, this cross-border dynamic defines the primary and most lucrative path to exit.

The latest market data confirms this trend is accelerating:

- The "go south" playbook: with a decline in early-stage domestic funding, ambitious founders are leaving the country at an accelerating rate, with the playbook for many being to re-incorporate in the U.S. to access deeper capital pools.[6]
- U.S. capital is dominant: U.S. investors are playing an outsized role in funding Canadian-based firms. In the first nine months of 2025, 54% of all capital invested in Canadian companies came from U.S. investors, up from 52% in 2024.[7]

For PE investors, this market dynamic can drive value, but it comes with a critical catch: the complex tax and legal structuring required to move the IP, clean up the cap table, and create an efficient multi-jurisdictional structure before an exit.

The evolving liquidity landscape

With the traditional VC-backed IPO market sluggish, the announcement on November 3, of Xanadu's SPAC deal — a transaction Osler is advising on — signals a major shift. This deal, the first major VC-backed public listing since late 2021, is expected to raise US$500 million at a $3.6 billion pro forma market cap. This underscores that alternative, non-traditional paths are now central to the modern liquidity playbook. For PE investors, these are the trends to watch:

- The rise of secondaries: the exit market hasn't stopped; it has transformed. In the first half of 2025, secondary transactions accounted for a staggering 84% of all exit value. Driven by a global need for liquidity, secondaries are now the primary mechanism for early investors and employees to get paid. It's a trend Osler knows well, having recently advised on two landmark liquidity rounds for Canada's top tech leaders — Wealthsimple's $750 million equity financing and Clio on its landmark, predominately secondary US$900 million round. This presents a prime opportunity for PE funds to deploy capital into proven, late-stage assets.
- The venture debt record: as equity fundraising gets tougher, companies are turning to

non-dilutive financing. Venture debt spiked 188% in H1 2025, hitting its highest mid-year total on record.
- The investment-ready ecosystem: this complex, cross-border environment requires a stable, predictable legal framework.

Osler's most recent *Deal Points Report: Venture Capital Financings,* confirms the market is prepared. We found that 98.3% of all Canadian venture financings now use standard CVCA/NVCA-aligned model documents.

For U.S. investors, this final point is critical. It means most Canadian tech assets are investment-ready with familiar governance and deal terms, dramatically reducing friction on cross-border M&A and PE investments.

In short, while the venture market recalibrates, the opportunity is to identify high-value Canadian assets for PE — from AI leaders to companies with cross-border structuring opportunities. This is happening in an investment-ready market, where established liquidity paths like secondaries and M&A clear the way for returns. Osler's Technology and Emerging and High Growth Companies (EHG) groups have a unique window on the market dynamics in this unique sector and our Private Equity Group is here to assist sponsors execute complex cross-border transactions with Canada's best technology companies.

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1. CVCA, "H1 2025 Canadian Venture Capital Market Overview" (Aug. 13, 2025); and CVCA, "H1 2025 Canadian Private Equity Market Overview" (Aug. 13, 2025). ↩︎
2. Private Capital Journal, "VC weakness continues in Q3, 2025" (Oct. 30, 2025). ↩︎
3. Bell Enterprise, "New study shows Canadian businesses eager to adopt AI, data sovereignty a key concern" (Oct. 29, 2025). ↩︎
4. Tracxn, "Canada Tech – H1 2025: Tracxn Geo Semi Annual Report [PDF]" (Jul. 11, 2025). ↩︎
5. BetaKit, "'Wake-up call' unheeded as Canadian VC investment hits lowest level since H1 2020" (Aug. 13, 2025). ↩︎
6. The Globe and Mail, "Tech founders leaving Canada at accelerating rate, survey finds" (September 22, 2025). ↩︎
7. Private Capital Journal, "VC weakness continues in Q3, 2025" (Oct. 30, 2025). ↩︎