

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



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Authors: [Brian Gray](#), [André Perey](#)

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.<sup>1</sup> This weakness continued into the third quarter.<sup>2</sup>

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.<sup>3</sup> 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.<sup>4</sup>

Life sciences also showed good resilience, securing above-average investment.<sup>5</sup>

## 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.<sup>6</sup>
- 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.<sup>7</sup>

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 [Clío](#) 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). [□□](#)