PANACHE VENTURES

Canada Reboots

A Look at Startup Formation Across Canada

Second Edition

H1-2025

Introduction

Founded in 2018, Panache Ventures was created with a singular mission to back visionary founders at the earliest startup stage in Canada. Led by a team of experienced entrepreneurs and fund managers, Panache Ventures has invested in 100+ startups, and more than 90% of its fund is invested in Canada. With a presence in Montreal, Toronto, Calgary, and Vancouver, **Panache Ventures is the only nationwide pre-seed fund** with a proven team, investment track record, and AI-powered data infrastructure.

About the Second Edition

The data presented in this report is unique to Panache Ventures and indicative of future demand for venture capital. It highlights new startup formation activity across Canada, which is of critical importance to economic prosperity and sovereignty. We call on investors, business leaders, and policymakers to meet the increasing demands of Canadian entrepreneurs. **A robust early-stage ecosystem is critical to starting, retaining,** and **scaling innovation in Canada.**

Methodology

The report is built on proprietary and public datasets tracking the formation of technology startups in Canada. Data sources often have limitations, and as such, the findings and insights highlighted in this report are directional and subject to revision.

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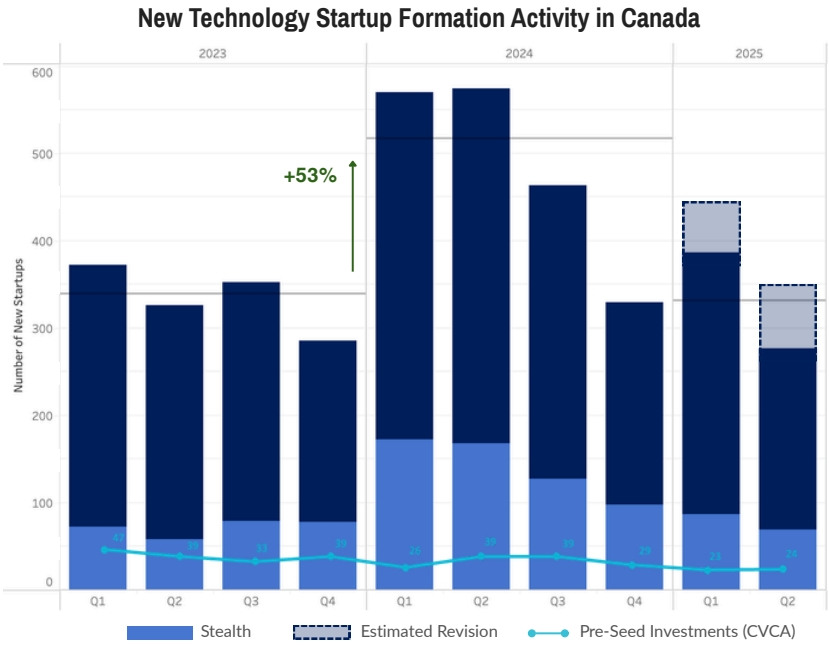
Canada's Startup Capital Demand

Canada's entrepreneurial ecosystem has shown resilience since Panache Ventures started publishing new startup formation data in 2023.

Following a period of slower growth, **new startups surged in 2024.** However, formation dipped in H1-2025.



More than Meets the Eye

- Overall, the data points to a **healthy recovery in entrepreneurial activity since 2023**, albeit with some volatility in quarterly data.
- The slight downward trend in H1-2025 could be explained by several factors, including macroeconomic conditions or lack of early-stage capital. Moreover, in our experience, there is typically a lag between formation data and when founders publicly disclose new startups.

CVCA Reporting: The Canadian Venture Capital Association (CVCA) regularly reports VC financing data. This data helps to understand the health of venture capital supply in the market. A directional analysis based on startup formation demand presented in this report and the CVCA financing data can generate market imbalance insights.

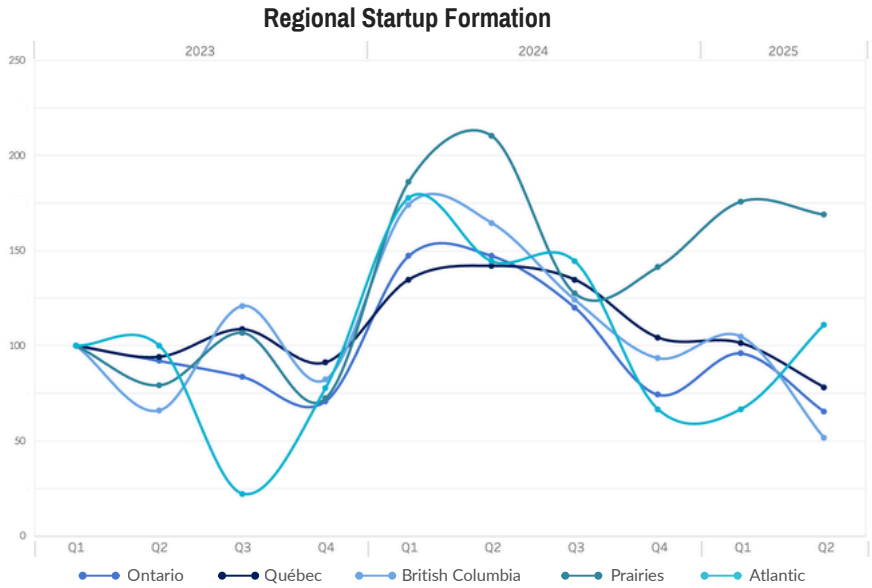
For example, per the CVCA, **133 pre-seed financings were reported in 2024.** As such, **~6% of all new technology startups** created in Canada received pre-seed capital at the **earliest financing stage**. Applying standard venture lifecycle graduation rates, the **entire 2024 pre-seed startup cohort may result in ~15 late-stage companies** and less than three unicorns in the long term. In our experience, **for Canada to rise above its potential**, the **pre-seed venture financings will need to more than double** to create a meaningful pipeline of growth-stage companies.

Hot take: The widely discussed scale-up problem in Canada starts at the pre-seed stage

We Rise Together

A regional breakdown of **startup formation activity shows entrepreneurial ambition** and **optimism across** the **country.**

Technology **entrepreneurs see no provincial barriers.** Neither do we. Panache Ventures has invested in startups from Yukon to Newfoundland and all the way across the country.



Indexed to 2023 Q1 = 100 to show relative growth in startup formation across regions

Regional Startup Formation Insights

- **Atlantic punches above its weight.** The region created more startups in H1-2025 than all of 2023 combined. Nova Scotia leads with 70% of all new startups formed in the Atlantic region.
- **Alberta maintains a lead position in the Prairies.** H1-2025 startup formation in the Prairies doubled relative to H1-2023 and remained on par with H1-2024, becoming the only non-Atlantic region to build upon its 2024 momentum.
- **British Columbia's upstart challenge.** H1-2025 startup formation is down almost 50% from H1-2024, observing the largest y-o-y decline in Canada.
- **Québec's startup formation flattens.** New formation declined in H1-2025 and settled around the H1-2023 level. Quebec edged the Prairies by ~20%, keeping its second-largest spot in the country.
- **Ontario slows down but remains the largest startup hub.** H1-2025 startup creation beat the H1-2023 levels; however, new formation growth reversed compared to 2024. The province accounts for nearly half of all new startups created in Canada.

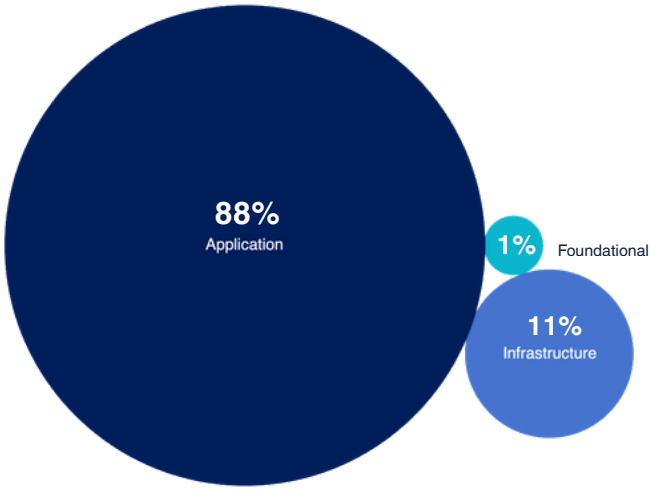
Retaining and growing entrepreneurial talent in Canada will not only require a boost in venture capital funding but also more competitive tax and R&D policies.

The AI Future is Here

AI has become the defining force behind Canada's new wave of startups. **Nearly half of all companies formed in H1-2025 are AI-native**.

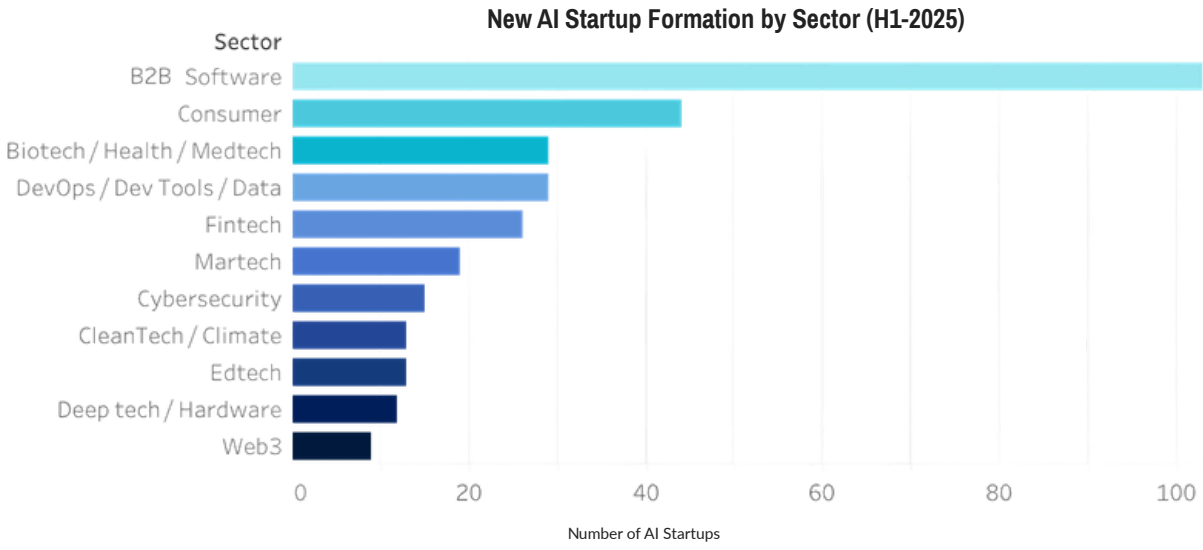
Role of AI in New Startup Formation

- Nearly **90% of AI startups** formed are **in the application layer.**
- There is momentum in **AI infrastructure,** with **~11%** startups focused on pushing forward the fast-evolving AI tech stack.
- Little activity at the **foundational layer.** This presents a potential opportunity as the cost to build and scale reduces over time.



AI-Native Upstarts by Vertical

- The largest share of AI-native startups are building in the **B2B software** vertical, a historical strength of the Canadian ecosystem.
- AI is presenting a rare opportunity for founders to rethink **consumer** experiences and interactivity.
- More regulated industries, such as **Bio/Health, Climate, Finance,** and **Security,** will be disrupted as well. Combined, these verticals make up a third of all new AI startups.



Founder Insights

Over the past 12 months, Canada's founder ecosystem has continued to mature. Many new founders are building in stealth and bring experience from venture-backed startups. The result is **a more seasoned** and **globally connected group of builders shaping the next wave of innovation**.

64% have experience at VC-backed startups

10% previously founded a VC-backed company

25% identify as women founders

25% are building in stealth

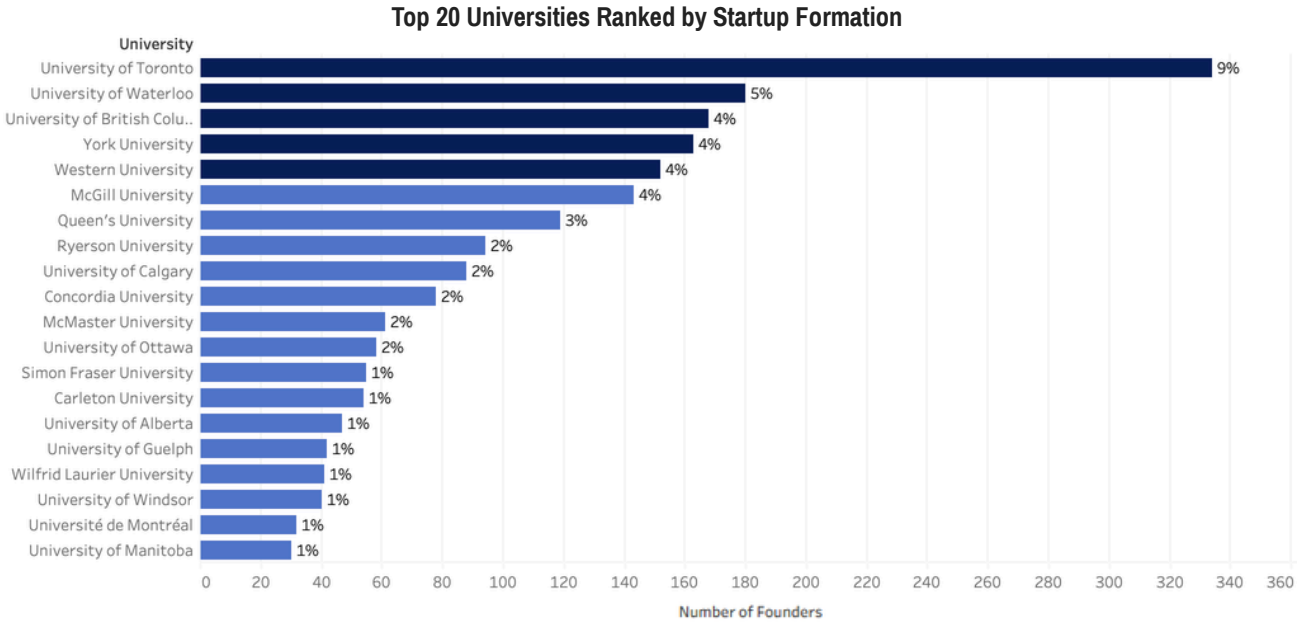
Key Observations

- **Experience is deepening.** 10% of founders are serial entrepreneurs, and many others bring prior experience from VC-backed startups — a strong sign of seasoned operators.
- **Representation is improving.** 25% of founders identify as women — still below parity but trending upward.
- **Stealth remains steady**. Building in stealth remains popular, staying consistent with recent years.

Bragging Rights

Canada's founder base is becoming increasingly global. Over 35% of new founders building in Canada graduated from international universities, highlighting the international flow of talent shaping our ecosystem.

Among Canadian institutions, founders from the **University of Toronto, University of Waterloo,** and the **University of British Columbia** lead the pack, followed by York University and Western University. These top five universities alone account for more than a quarter of all founders who launched new startups this year.



Canada is at the forefront of artificial intelligence research and is emerging as a strategic magnet for global AI founders. Organizations such as the Vector Institute (Toronto), MILA (Montréal), and AMII (Edmonton) serve as the anchors of this ecosystem — nurturing top-tier researchers, advancing responsible AI frameworks, and enabling commercialization pathways that convert breakthroughs into globally competitive startups.

Our Team

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