

PREDICTIONS FOR AUSTRALIAN VENTURE CAPITAL IN 2022

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News

2021 will go down as a year like no other on many fronts. From record deal volumes, to huge valuations and history-making M&A, we expect most VC ecosystem participants are looking forward to a well-deserved rest over the summer.

Now [Elizabeth Henderson](#) and [Claire Thompson](#) get out the crystal ball and share their expectations for what 2022 has in store for Australian Venture Capital deals.

THE DEALS BOOM CONTINUES

If the number of term sheets that are coming across our desks is anything to go by, we will see 2022 come out of the gate very strongly.

There is a serious amount of dry powder in the market and we are seeing investors ready to transact and wanting to do so quickly.

We predict record-breaking volumes again in 2022.

THE MARKET GETS SERIOUS ABOUT SECONDARY

We've seen a marked rise in secondary sales on transactions in 2021, and we think this is the new norm.

From now on, investors can and should expect to see founders selling down on every round from Series A and beyond.

CRYPTO CRAZY

If 2021 was the year when even your grandma bought crypto, 2022 will be the year when the market starts to take notice of the other players in the ecosystem.

We predict a maturation and legitimisation of a number of these ancillary businesses, and to see many of them raise capital at significant valuations as investors look for exposure to the crypto ecosystem more broadly.

LADIES FIRST

We predict that 2022 will see some (seriously overdue) capital flow to female-founded businesses.

2021 closed with one of our rockstar clients, Mr Yum, announcing the largest ever funding round for a female-founded startup, with its A\$89 million Series A.

The stage is set for a strong year with recent announcements including the first close of Scale Investors' new A\$100m fund in collaboration with Artesian, targeting startups run by women for women, and the launch of Victoria's Alice Anderson Fund earlier this year.

MY FUND IS BIGGER THAN YOUR FUND

With Australia's three premier VC funds (AirTree, Blackbird and Square Peg) all said to be fundraising, and talk of Blackbird's 5th fund being in excess of A\$1 billion, we expect 2022 to bring significant announcements of new funds raised.

EVERYONE WANTS IN

With the Australian startup ecosystem increasingly heating up, we are seeing a rise in the number of non-traditional VC investors looking to play in the space.

From corporate VCs, to super funds, family offices, Private Equity and strategic investors, we predict that everyone will have a go at a minority deal in 2022.

ANOTHER MONSTER YEAR FOR M&A

We have an outsized number of global market leaders in Australia, particularly in the FinTech sector.

Following on from Afterpay's acquisition by Square, we expect more of the big global players to look Down Under for acquisition targets in 2022, and to come prepared to pay generously for them.

SERIOUS INVESTORS CONTINUE TO PLAY EARLIER - LEADING TO MORE RECORD-BREAKING SEED AND SERIES A ROUNDS

2021 saw multiple seed-stage raises in excess of A\$10 million.

At the same time, we also saw a number of tier 1 US VCs, who may have historically waited for a Series A or B, leading Australian Seed rounds.

As the big Aussie VCs continue to raise bigger funds, we predict that the pressure to deploy as well as the need to compete to win deals will result in bigger and bigger cheques being written earlier in the lifecycle of many startups.

MORE FOUNDERS WILL WEAR THEIR HEARTS ON THEIR SLEEVES AS INVESTORS SEEK IMPACT

2021 saw some significant deals announced by startups with impact as their top priority, including our awesome clients Who Gives a Crap, Great Wrap and Bardee.

As more investors are given a mandate for social good, we predict that we will see a rise in significant raises by companies looking to do more than just make money.

THE BLACK HAT VIEW

The more seasoned among us regard any boom time with suspicion. What happens if inflation bites, interest rates rise and quantitative easing is no more? In times of economic shock, quality investments will see a bolstering. Covid has seen more US money come Down Under but with good reason, and there is no reason why this shouldn't continue.

In 2021, Herbert Smith Freehills was proud to support our clients on a number of milestone transactions, including:

- Culture Amp's A\$135 million Series F, co-led by Sequoia Capital China and TDM Growth Partners

- SafetyCulture's A\$99 million Series C2, led by Insight
- Mr Yum's A\$89 million Series A, led by Tiger Global
- Linktree's US\$45 million Series B, led by Index Ventures
- Who Gives a Crap's A\$41.5 million Series A, led by Verlinvest
- Mod.io's A\$35 million Series A, led by Tencent
- Finder's A\$30 million Series A, led by Future Now Capital
- Pursuit's US\$20 million Series A, led by Open View
- Delegate Connect's A\$10 million Series Seed, led by AirTree
- Sonder's A\$16 million capital raising
- :Different's A\$25 million Series B, led by x15ventures and Antler
- King River's investment in Immutable's A\$82 million Series B
- Lexer's A\$33.5 million Series B

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



ELIZABETH HENDERSON
 CO-HEAD OF
 VENTURE CAPITAL
 (AUSTRALIA), SYDNEY
 +61 2 9225 5103
 Elizabeth.Henderson@hsf.com



CLAIRE THOMPSON
 CO-HEAD OF
 VENTURE CAPITAL
 (AUSTRALIA),
 MELBOURNE
 Claire.Thompson@hsf.com

MEDIA CONTACT

For further information on this news article, please contact:

**EMILY COULTAS, EXTERNAL
COMMUNICATIONS MANAGER**

MELBOURNE

Tel: +61 3 9288 1594

Email: emily.coultas@hsf.com