

# MORE THAN THREE-QUARTERS OF AUSSIE START-UPS OPTIMISTIC DESPITE CHALLENGING CONDITIONS

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News

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A challenging fundraising environment has failed to temper the optimism of Australian start-up founders, who remain positive about their prospects, with many even anticipating higher valuations in 2023, according to a survey from global law firm Herbert Smith Freehills (**HSF**).

The [survey](#) of Australian start-up founders at all stages of the venture capital (**VC**) lifecycle, from pre-Seed to pre-IPO, found that:

- 81% believe that the current fundraising environment is more challenging than in 2021 and 97% say it is impacting their business strategy;
- 76% remain optimistic about the long-term prospects for Australian start-ups;
- 76% expect to raise capital within the next 12 months;
- 85% believe that their next raise will be higher than their last post-money valuation; and
- 31% stated that they were very confident of a higher valuation.

[Elizabeth Henderson](#), HSF's Co-Head of Venture Capital (Australia), said that the survey findings point to a resilient Australian start-up ecosystem.

"While times are currently challenging, the outlook for venture capital in Australia remains promising," Ms Henderson said.

"We are seeing the current environment impact strategy and decision-making, in particular, start-ups are pivoting from growth to profit, with a much stronger focus on cash burn reduction — 72 per cent of respondents to our survey said that Australian start-ups will need to reach profitability earlier. However, for start-ups with a comfortable cash runway, it is largely business as usual."

According to HSF partner and Co-Head of Venture Capital, [Clayton James](#), "There is reason for optimism."

"Australian funds are sitting on significant levels of dry powder and are continuing to deploy it, especially in early-stage raises where there is some competitive tension. We expect that to pick up more in the new year," Mr James said.

"There may also be opportunities for Private Equity to be involved in later stage and pre-IPO fundraising given the current positioning of equity capital markets."

Although optimism is high, the survey found that market conditions are leading some founders to consider bridging rounds between raises.

"While almost all founders in our survey are not expecting to make an early exit, half indicated that they are unsure if they will require bridging funding, and twenty-seven per cent expect that it will be necessary. This reflects what we're seeing in the market, and we are advising clients to appropriately safeguard their businesses," [Mr James](#) said.

The survey also indicates that founders want more support from government, with 92 per cent believing that governments can do more to support Australian start-ups, with founders indicating that they want it to be easier to raise capital and issue employee equity.

"Founders acknowledge that there are good government programs at the pre-commercialisation stage, but more flexibility and practical assistance would support further commercialisation and potential international expansion post their start-up phase," [Ms Henderson](#) explained.

HSF is the pre-eminent venture capital law firm in Australia, and one of the leading VC firms in Asia Pacific. It advises on more VC transactions than any other Australian law firm and is proud to have supported companies such as Atlassian, Mr Yum, Carma, Sonder, Culture Amp, SafetyCulture, Linktree, Who Gives A Crap, :Different, Gamurs, Pearler, Vexev, and Instant Checkout.

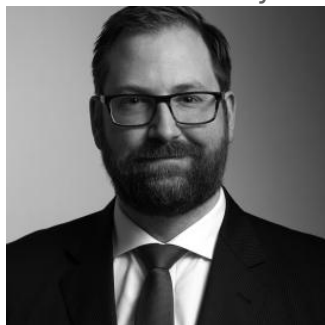
The firm's core Australian VC team of over 25 legal experts works closely with the firm's other private capital experts globally to advise start-ups from their earliest raises through the full company lifecycle to realisation, including pre-company formation

For more information including the survey responses, visit:

<https://www.herbertsmithfreehills.com/latest-thinking/australian-start-ups-remain-positive-plan-to-raise-survey-finds>

## KEY CONTACTS

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



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