

A WORD FROM J.P. MORGAN

Our views on venture

Australia and New Zealand continue to serve as vibrant hubs for innovation and VC investment within the Asia-Pacific region. As the global economy evolves, so too do the opportunities and challenges faced by investors and fast-growing companies in these dynamic markets.

Underappreciated sectors in the Australia & New Zealand startup ecosystem

Amid the global AI hype, certain sectors within the Australia & New Zealand startup ecosystem remain underappreciated despite being ripe for investment. Quantum technology, historically concentrated in Europe and the US, has gained impressive momentum in Australia. The Australian government's recent AUD 940 million investment in PsiQuantum to deliver the world's first utility-scale quantum computer positions Australia favorably in becoming a global powerhouse for the sector. Since the early 2000s, Australia has trained over 2,500 doctoral students,⁴ and these students are now driving the success of companies such as Silicon Quantum Computing, Q-CTRL, Diraq, and Quantum Brilliance. With the technology sector already contributing AUD 167 billion to the Australian economy annually, quantum capabilities are forecast to amplify this growth and reach AUD 244 billion by 2031.⁵

The HR enterprise software-as-a-service (SaaS) market, while globally established, presents unique opportunities for region-specific solutions in Australia and New Zealand. Navigating evolving employment laws and compliance is critical for business success, with companies such as Employment Hero, ELMO, Culture Amp, and Deputy leading the charge.

Furthermore, the climate tech sector, particularly solar technology, offers fertile ground for startups and VCs. The region's abundance of natural resources and increasing demand for renewable energy are driving innovations in solar tech. Notable investments such as Square Peg Capital and Skip Capital's participation in Neara's USD 31 million Series C highlight the sector's potential.



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Operational and financial challenges in a volatile market

Both financial and operational challenges are shaped by global economic policies, market volatility, and strategic business objectives. Geopolitical tensions and protectionist policies, predominantly driven by the US, are altering cost structures and disrupting supply chains. Additionally, J.P. Morgan's clients face complexities in cash repatriation, compliance with international tax laws, and managing currency risk. Global expansion remains a strategic priority, yet it is fraught with regulatory hurdles and competitive pressures. Leveraging financial instruments to combat foreign exchange risk is essential.

Exit strategies: Embracing secondary markets

Protracted exits have been a global challenge for VCs, and Australia and New Zealand are no exception. As traditional exit routes such as IPOs and M&A face delays, secondary markets have emerged as a strategic response, increasing by 45% in 2024 to a record-breaking USD 162 billion globally.⁶ Notable rounds include Canva's USD 1.6 billion raise, SafetyCulture's AUD 90 million raise, and Employment Hero's USD 59 million raise. These deals demonstrate that secondary rounds can unlock returns and showcase continued growth in the startup ecosystem despite IPO market headwinds.

4: "An Ode to Australian Physics," Australian Government, Dr. Cathy Foley, December 22, 2022.

5: "State of Australian Quantum," Australian Government, November 2024.

6: "Global Secondary Market Review," Jefferies, January 2025.

Regulatory developments: Navigating data protection and compliance

Regulatory developments, particularly in data protection and storage, are crucial considerations for startups and VCs. The Privacy Act 1988 and the Australian Privacy Principles set standards for handling personal information. Compliance is essential, especially for startups handling personal data. Regional data localization requirements, especially in sectors such as financial services and healthcare, include specific storage and processing rules. Understanding cross-border data transfer rules is vital for international operations.

Startups also have access to a variety of government grants in Australia and New Zealand. Government grants, rebates, and tax benefits offer opportunities for startups to unlock capital for research & development.

The shift in nondomestic capital: Exploring the Australia & New Zealand ecosystem

The Australian VC and PE markets are increasingly attracting nondomestic capital traditionally targeted at Southeast Asia and East Asia. This shift is characterized by the onshoring of PE firms and strategic interests in M&A, as well as Australia's stable environment providing a gateway to the Asia market. In 2024, nondomestic investors participated in 57% of Australian deals, particularly in Series B and later rounds, enhancing visibility and driving innovation.⁷ Approximately 23% of VC fund commitments between 2019 and 2023 were from offshore investors.⁸ As nondomestic investors continue to explore opportunities, the domestic ecosystem stands to benefit from increased capital flows, innovation, and strengthened international partnerships.

7: "State of Australian Startup Funding," Cut Through Venture, February 4, 2025.

8: "Australian Private Capital Market Overview," Preqin, Valerie Kor and Harsha Narayan, March 26, 2024.