

# 2024 B2B Software Capital Provider Survey (3rd annual)

Conducted by Bigfoot Capital



## Survey Purpose

Give us all some intel on how B2B software equity and debt investors are feeling and investing, with information on:

1. Their capital base, investment focus and portfolio goings on
2. Their investment activity
3. Their market sentiment
4. How they're shifting their investment strategies



## Key Takeaways - Investing Activity

- **Increased Activity Among Lenders:** Non-bank lenders have reported a significant increase in activity in the first half of 2024, with 59% being more active compared to the same period in 2023. This marks a nearly 50% increase from last year, signaling robust lending momentum. Bank lenders also showed a notable uptick in activity, with two-thirds reporting higher activity levels compared to the previous year, and none reporting decreased activity.
- **Equity Investment Trends:** Equity investors, particularly those focused on A/B/Growth stages, are also seeing an increase in activity. 44% of equity investors reported being more active in 1H 2024 than in 1H 2023. However, there is a growing bifurcation in the market, with some investors pulling back, as evidenced by 35% of Seed/A investors reporting they were less active in 1H 2024 vs. 1H 2023.
- **Bridge Financing Expectations:** A significant portion of capital providers (35%) anticipate that more than 25% of their portfolio companies will require bridge financing in the next 12 months, an increase from the 22% who had similar expectations last year. The responsibility for this funding is overwhelmingly expected to fall on existing equity investors (still appetite and powder to do so?), with a smaller role for new equity investors.



## Key Takeaways - Sentiment

- **Positive Shift Despite Lingering Neutrality:** There has been a noticeable shift towards positive sentiment among investors, with over 50% of equity investors expressing optimism for the next 12 months. This is a marked improvement from the previous year, particularly among Seed/A investors, where positivity has increased by 29%. However, neutrality remains high, particularly among A/B/Growth investors, with over 70% expressing neutral sentiment. This suggests that while the outlook is improving, many investors remain cautious as they navigate the current market environment.
- **Debt vs. Equity Sentiment:** Lenders have also seen an increase in positivity, with a 9% shift from neutrality to positivity. However, the level of negative sentiment remains relatively unchanged from the previous year, indicating that while there is cautious optimism, concerns about the broader economic environment persist.
- **Cautious Optimism in Qualitative Assessments:** Qualitative responses reveal a mix of optimism and caution. Many investors believe the market has bottomed out, with some expecting gradual improvement. However, there is still concern about the impact of previous overfunding and overvaluation, particularly in later-stage investments.



## Key Takeaways - Strategies

- **Increased Conservatism and Discipline:** Many investors have continued to raise the bar for investability, with a focus on capital efficiency, fundamentals, and disciplined deployment of capital. This conservative approach is reflected in a shift towards smaller check sizes, more logos, and a greater emphasis on downside protections, particularly among lenders.
- **Focus on Valuations and Fundamentals:** Growth remains important but has been deprioritized in favor of investments with strong fundamentals (mainly capital efficiency) and attractive valuations. Investors are increasingly seeking companies with more traction, scale, and liquidity, while avoiding high-burn businesses. There is also a notable shift towards later-stage investments and secondary opportunities, as investors look for more secure and scalable opportunities in a challenging market.
- **Sector Focus Adjustments:** Some investors are adjusting their sector focus, particularly by avoiding the GenAI bubble and instead targeting companies that are solving real customer problems. This shift reflects a broader trend towards more pragmatic and sustainable investment strategies in the current environment.

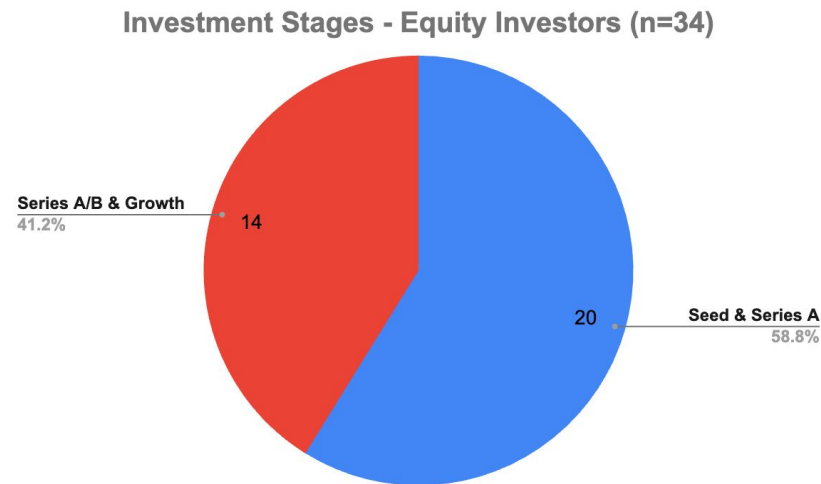
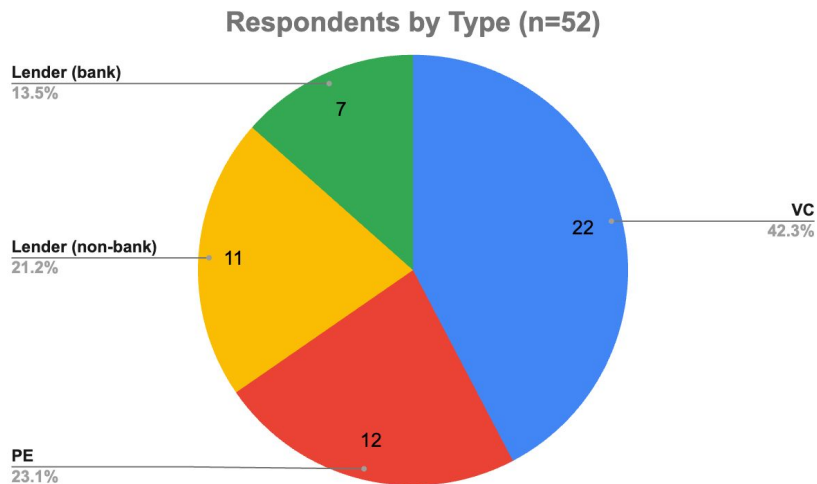
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# Survey Participants - 52 B2B software capital providers

*Type, AUM, Fund Deployment and Fundraising Activity, Recent  
Portfolio Valuations Trends, Metrics They Care About*

# 52 capital providers shared their thoughts, split as follows:

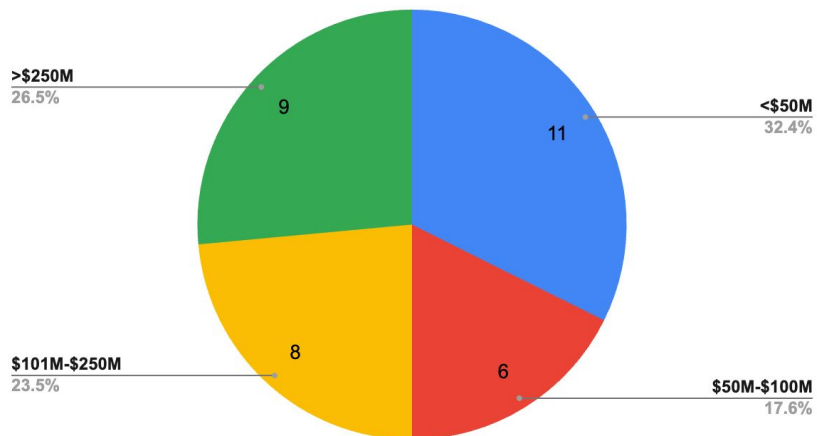
All B2B focused | 65% equity / 35% debt | Equity: 60% Seed/A, 40% A/B/Growth | Debt: 95% A and beyond



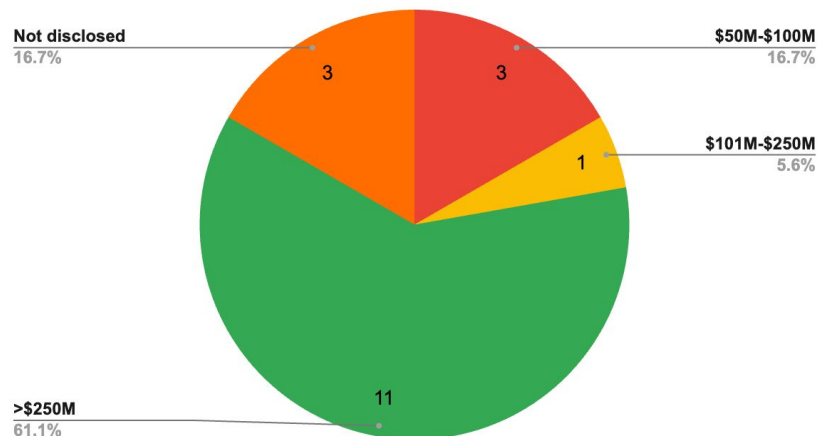
# Respondents by Assets Under Management (AUM)

50/50 split for equity investors for <\$100M AUM and >\$100M AUM | 80% of lenders >\$250 AUM (disclosed)

Assets Under Management (AUM) - Equity Investors (n=34)



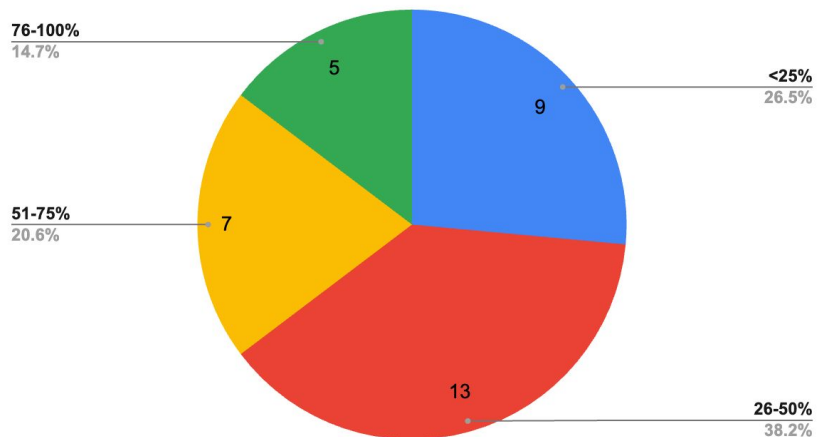
Assets Under Management (AUM) - Lenders (n=18)



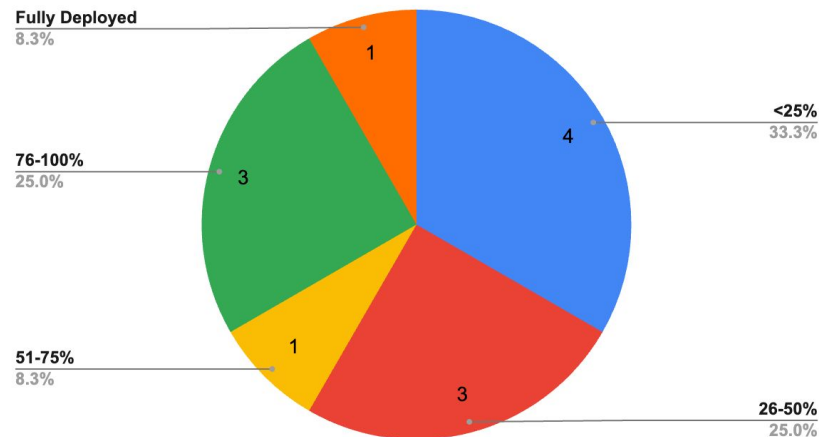
## Current Fund Deployment Status (dry powder?)

65% of equity investors are <50% deployed on their current fund, and 58% of lenders are <50% deployed. We did not ask when these current funds were raised and what the deployment timeline is for the undeployed capital, but this conveys equity and debt investors have dry powder for the next 1-2 years to drive further funding activity.

% Deployed on Current Fund - Equity Investors (n=34)



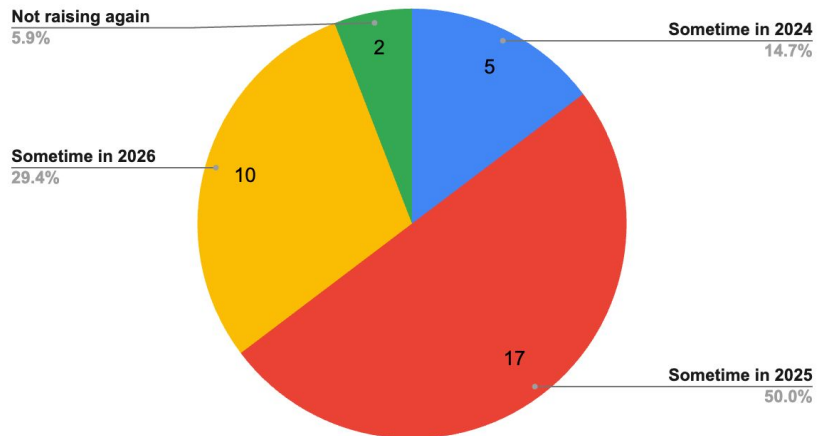
% Deployed on Current Fund - Lenders (n=12)



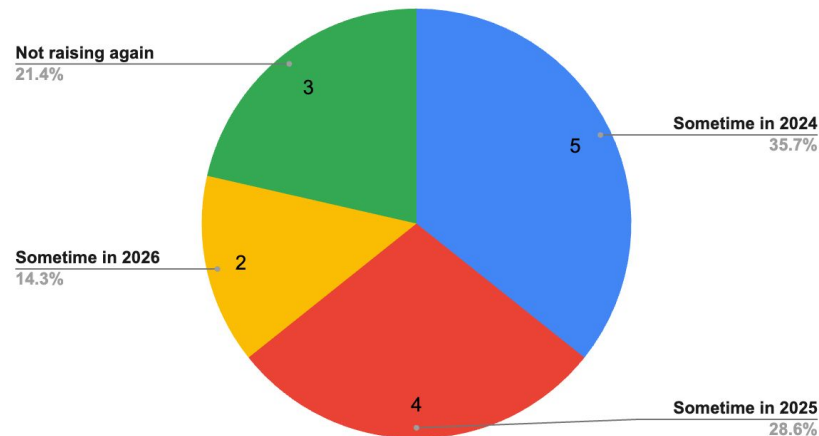
# Timeline to Raise Next Fund (reload & keep deploying)

~65% of both equity investors and lenders expect to raise their next fund by 2025 w/ more 2024 raises for lenders.

When Raising Next Fund - Equity Investors (n=34)



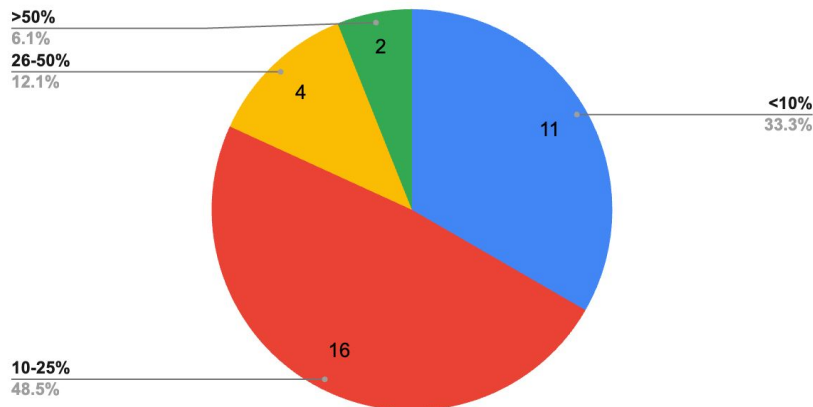
When Raising Next Fund - Lenders (n=14)



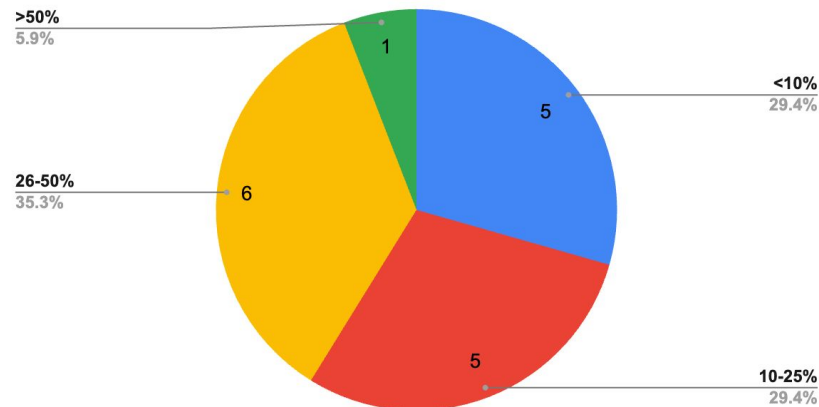
# LTM Raises at Higher Valuations ("Up Rounds")

82% of equity investors reported that <25% of their portfolio has raised at a higher valuation in the last 12 months. Same metric stands at 59% of lenders' portfolios, but 35% had 26-50% of portfolio raise at higher valuations.

LTM Raises at Higher Valuations "Uprounds" - Equity Investors (n=33)



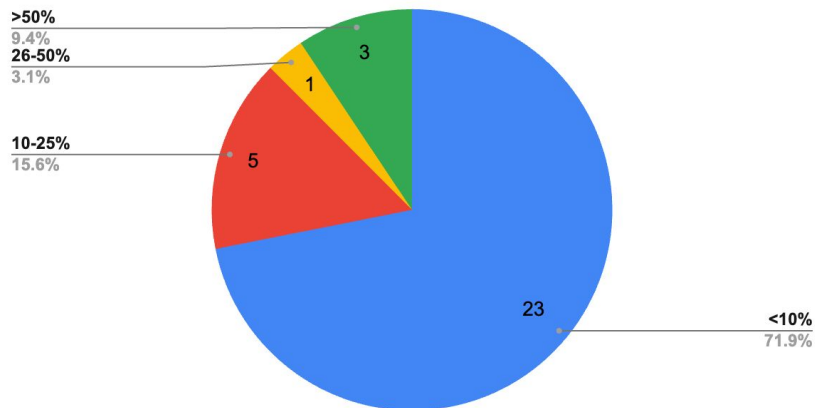
LTM Raises at Higher Valuations "Uprounds" - Lenders (n=17)



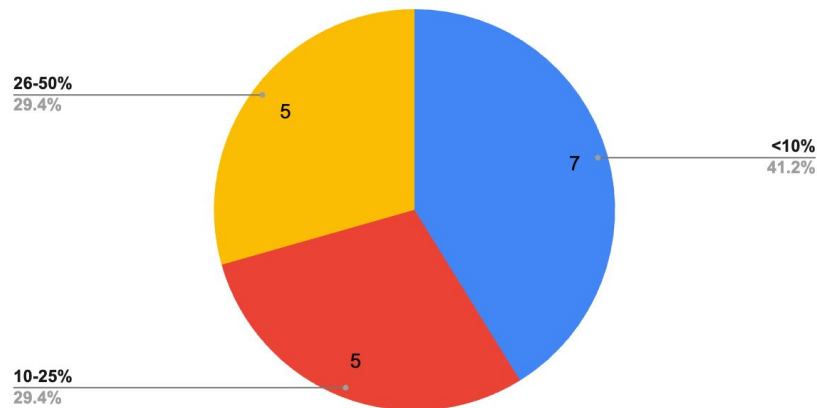
# LTM Raises at Lower Valuations (“Down Rounds”)

88% of equity investors reported that <25% of their portfolio has raised at a lower valuation in the last 12 months. Same metric stands at 71% of lenders’ portfolios, but 29% had 26-50% of portfolio raise at lower valuations.

LTM Raises at Lower Valuations "Downrounds" - Equity Investors (n=32)



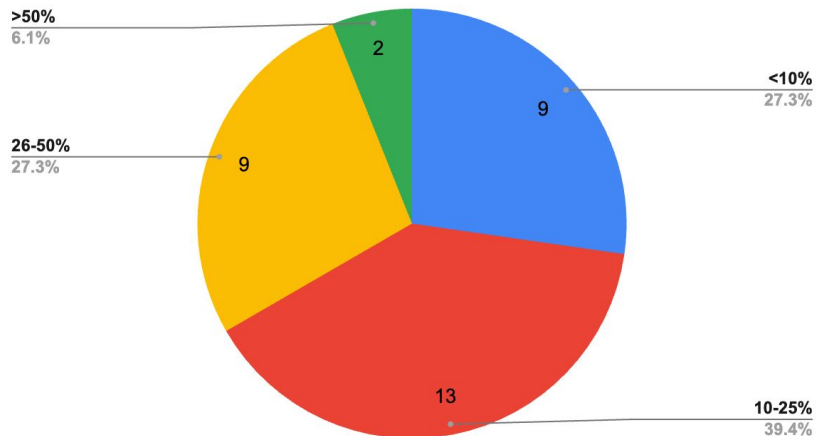
LTM Raises at Lower Valuations "Downrounds" - Lenders (n=17)



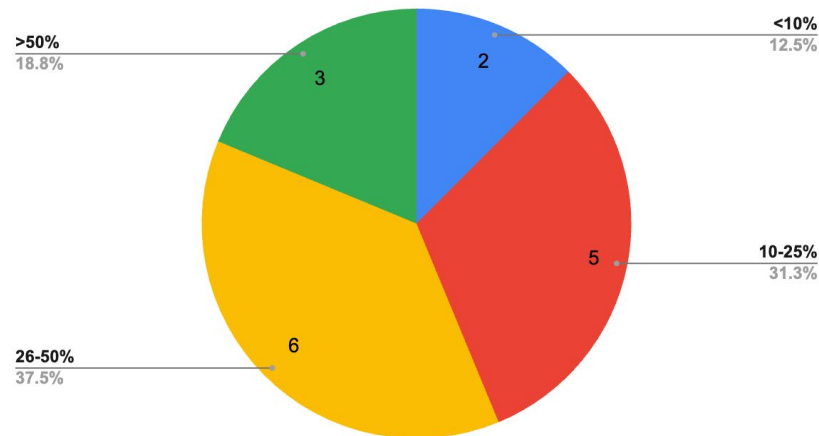
## LTM Extension/Bridge Rounds

2/3<sup>rd</sup> of equity investors reported that <25% of their portfolio have raised an extension or bridge round LTM. 27% said 26-50% of their portfolio have. 56% of lenders reported that at least 25% of their portfolio have raised an extension or bridge round with 19% saying >50% of their portfolio have.

LTM Extensions/Bridge Rounds - Equity Investors (n=33)



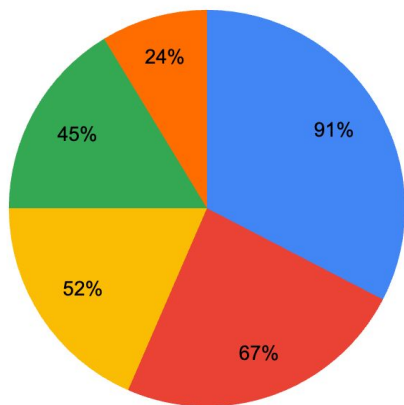
LTM Extensions/Bridge Rounds - Lenders (n=16)



# What Metrics Matter?

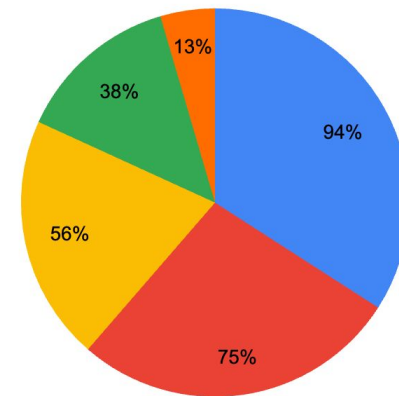
Turns out equity and debt investors care about the same things when evaluating a B2B software investment opportunity. How's that for alignment?! Unsurprisingly, revenue growth takes the top spot by a healthy margin followed by burn multiple, a core capital efficiency metric. Then, it's all about the retention(amins) baby.

Top Metrics Evaluated - Equity Investors (n=33)



● Revenue Growth ● Burn Multiple ● NRR ● GRR ● Rule of 40

Top Metrics Evaluated - Lenders (n=16)



● Revenue Growth ● Burn Multiple ● NRR ● GRR ● Rule of 40

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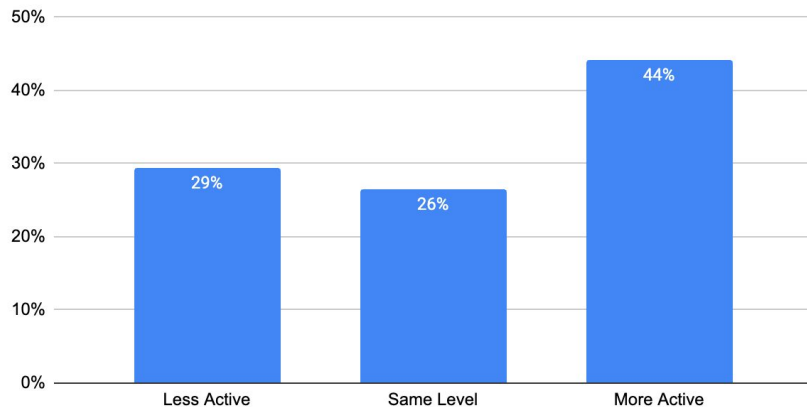
# Investing Activity

# Investing Activity - Equity Capital (1H 2024 vs. 1H 2023)

44% of equity investors reported they were more active in 1H 2024 as compared to 1H 2023. With 65% of equity investors reporting they are <50% deployed on their current fund, we *should* see continued positive momentum in investing activity.

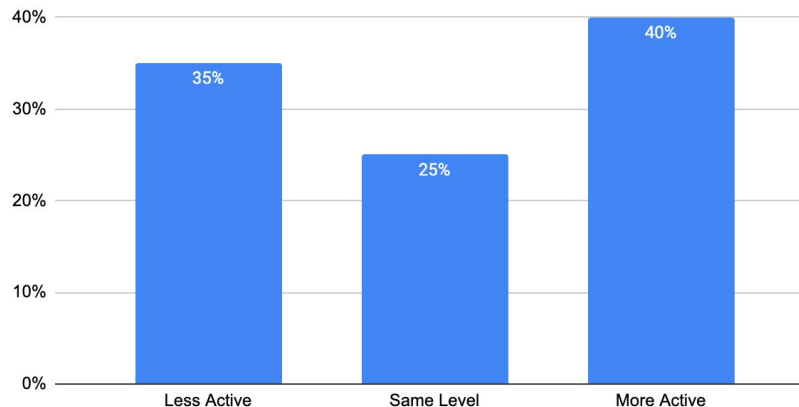
**Now**

Investment Activity 1H2024 vs. 1H2023 - Equity Capital (n=34)



**12 Months Ago**

Investment Activity 1H2023 vs. 1H2022 - Equity Capital (n=40)

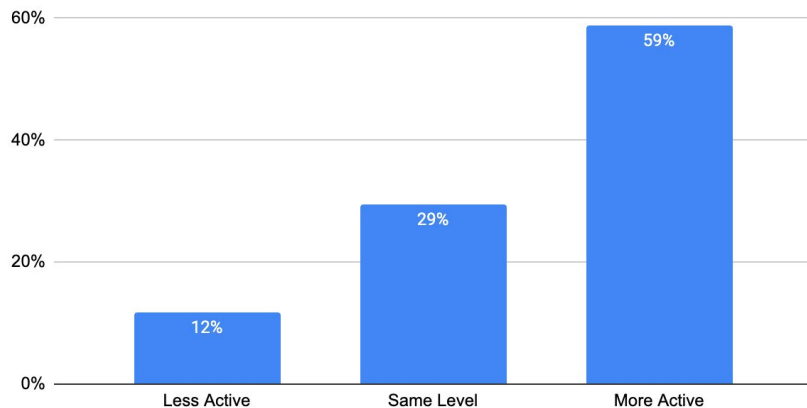


# Investing Activity - Debt Capital (1H 2024 vs. 1H 2023)

59% of lenders reported they were more active in 1H 2024 as compared to 1H 2023. This is a nearly 50% increase from last year. Only 12% reported being less active, compared to 35% 12 months ago.

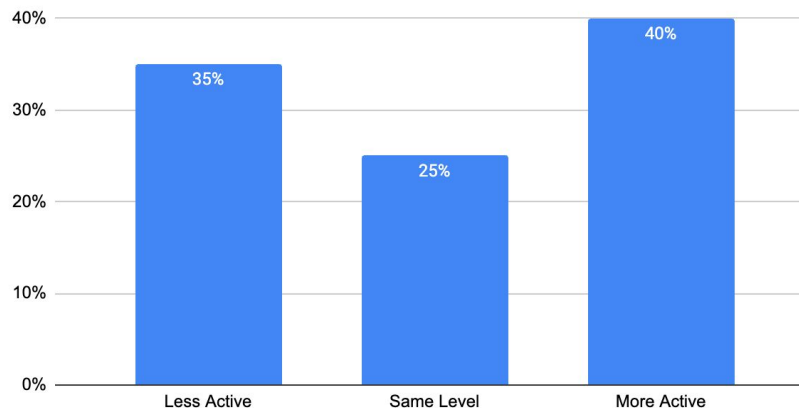
## Now

Investment Activity 1H2024 vs. 1H2023 - Debt Capital (n=17)



## 12 Months Ago

Investment Activity 1H2023 vs. 1H2022 - Debt Capital (n=20)

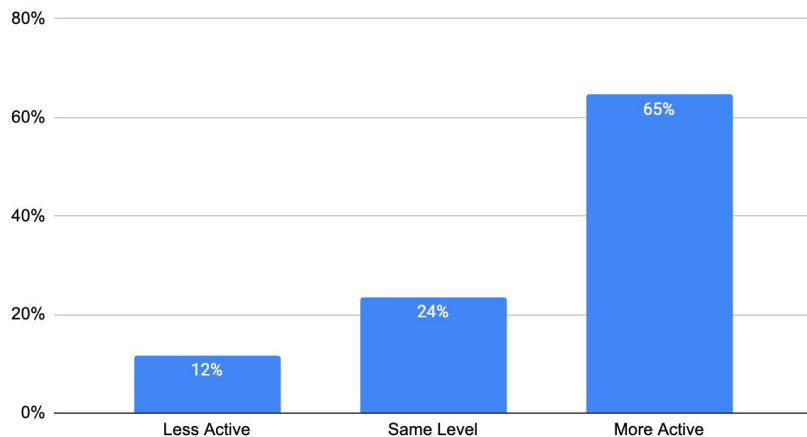


# Investing Activity - Equity and Debt (Next 12 Months)

Everyone wants to deploy capital 🎯 Compared to 12 months ago, debt is ready to be decidedly more active at 88% compared to 60%. Equity responses were the same as they were 12 months ago.

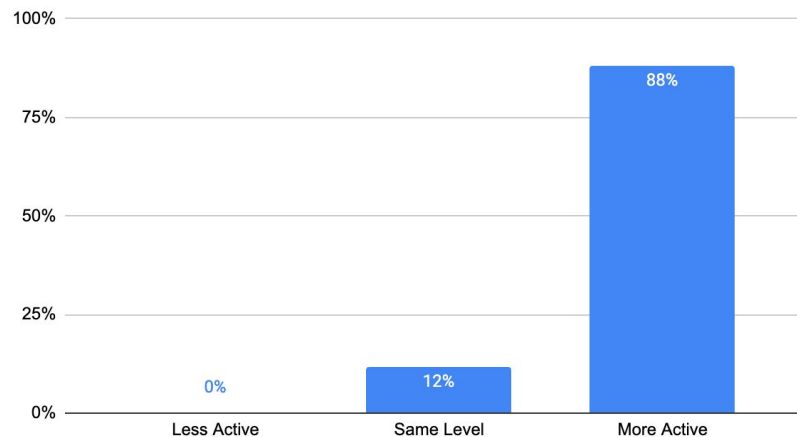
## Equity

Investment Activity Next 12 Months - Equity Capital (n=34)



## Debt

Investment Activity Next 12 Months - Debt Capital (n=17)



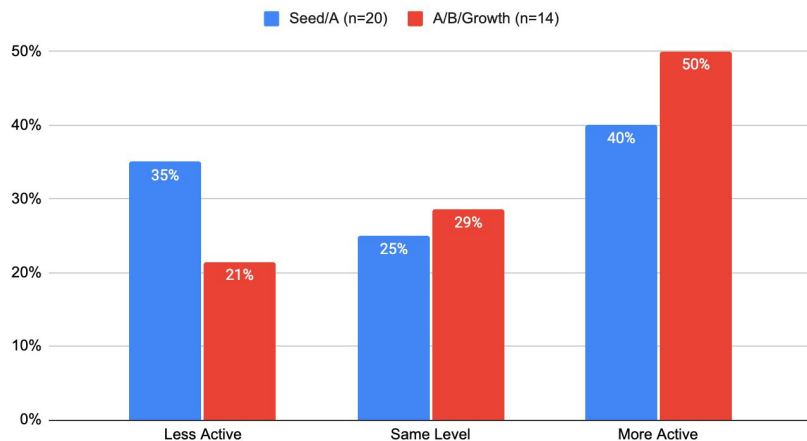
# Investing Activity - Equity by Stage (1H 2024 vs. 1H 2023)

40% of seed/A equity investors report being “more active” as compared to 12 months ago (they reported at the same level 12 months ago), but the “less active” bucket ticked up 10%. 50% of A/B/growth investors reported more activity compared to 21% reporting being less active.

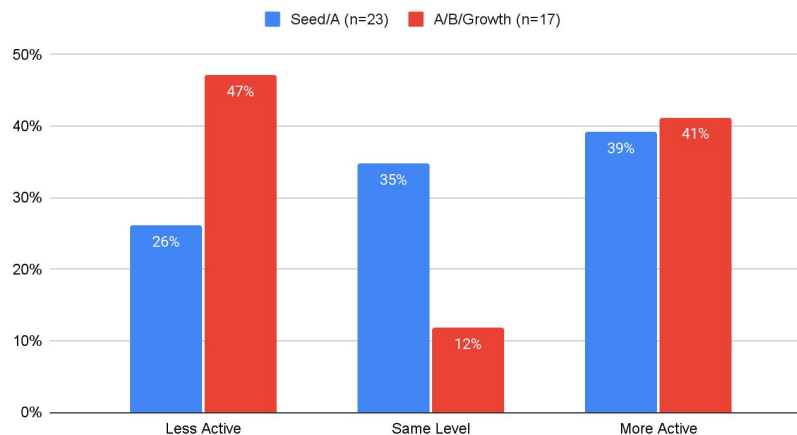
**Now**

**12 Months Ago**

Investment Activity 1H2024 vs. 1H2023 - Equity Capital by Stage



Investment Activity 1H2023 vs. 1H2022 - Equity Capital by Stage

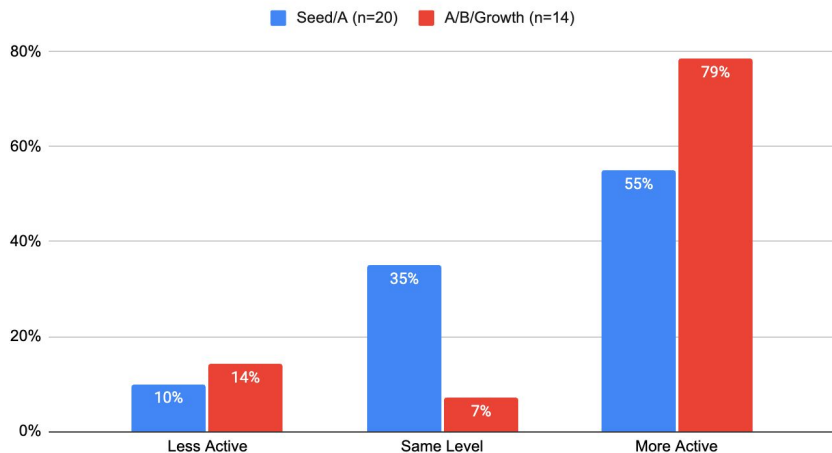


# Investing Activity - Equity by Stage (Next 12 Months)

~80% of A/B/Growth equity investors are looking to crank up activity. 12 months ago, 65% said the same and we saw 50% actually deliver on it. 55% of seed/A investors are looking to be more active, which is more tempered than 12 months ago at 67% (only 40% actually were more active).

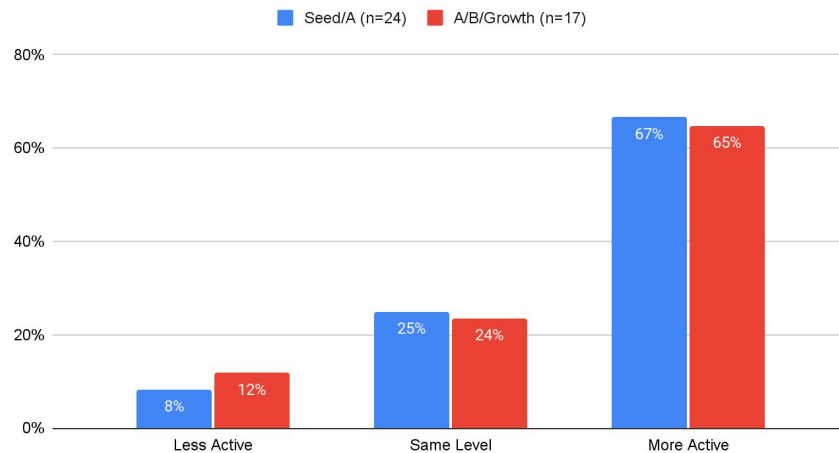
**Now**

Investment Activity Next 12 Months - Equity Capital by Stage



**12 Months Ago**

Investment Activity Next 12 Months - Equity Capital by Stage

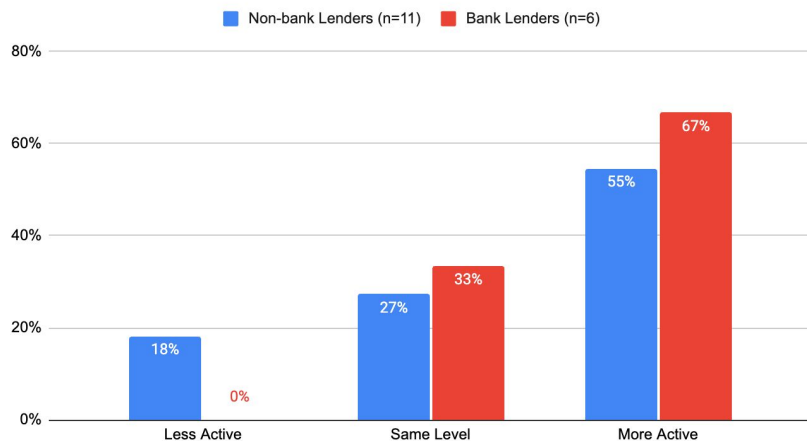


# Investing Activity - Debt by Type (1H 2024 vs. 1H 2023)

2/3<sup>rd</sup> of bank lenders reported being more active in 1H 2024 vs. 1H 2023 with 0% reporting being less active, compared to 43% being less active 12 months ago. 31% of non-bank lenders were less active 1H 2023 vs. 1H 2022. For 1H 2024 vs. 1H 2023, only 18% are less active with 55% being more active.

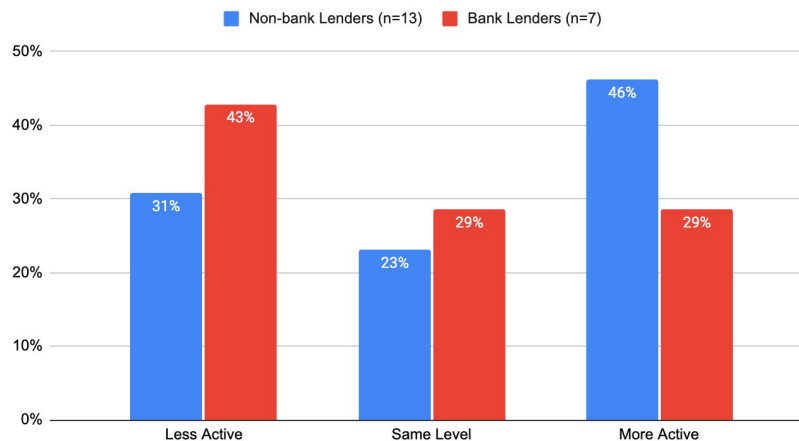
**Now**

Investment Activity 1H2024 vs. 1H2023 - Debt Capital by Type



**12 Months Ago**

Investment Activity 1H2023 vs. 1H2022 - Debt Capital by Type

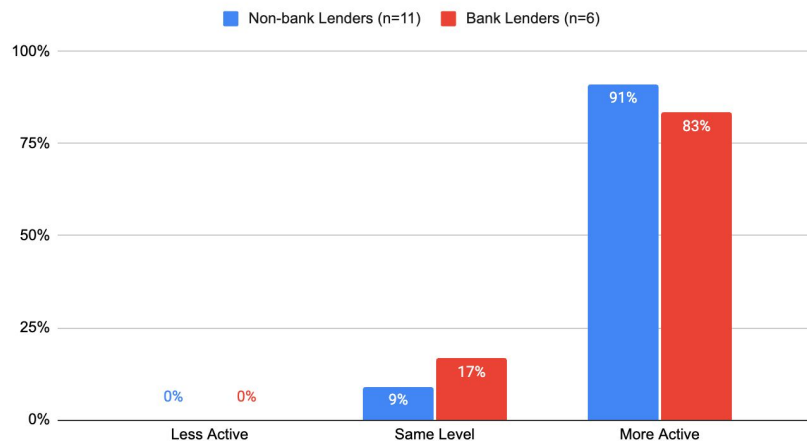


# Investing Activity - Debt by Type (Next 12 Months)

Non-bank and bank lenders are ready to press the peddle with a big swing from 12 months ago.

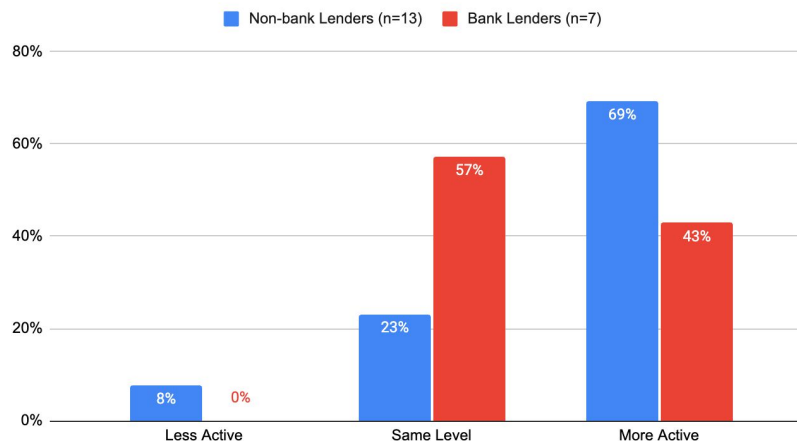
## Now

Investment Activity Next 12 Months - Debt Capital by Type



## 12 Months Ago

Investment Activity Next 12 Months - Debt Capital by Type

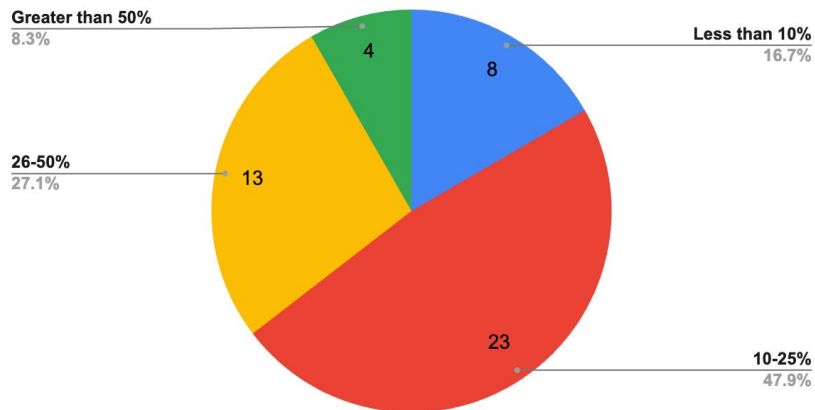


# Anticipated Bridge Financing Needs - what %?

~35% of capital providers believe >25% of their portfolio will need a bridge round in the next 12 months, up from 22% with the same expectation 12 months ago. 50% of lenders expect >25% to need a bridge.

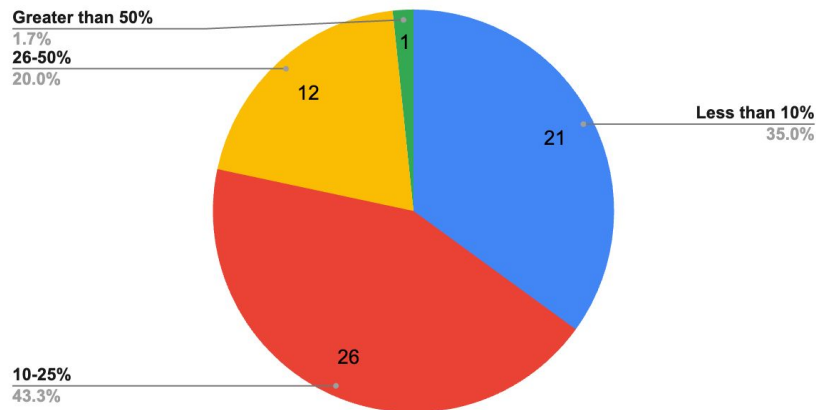
## Now

% of Portfolio Needing Bridge Round Next 12 Months - All Capital (N=48)



## 12 Months Ago

% of Portfolio Needing Bridge Round Next 12 Months - All Capital (N=60)

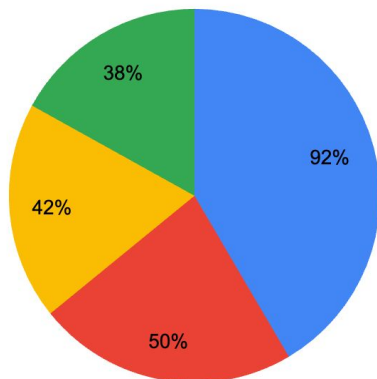


# Anticipated Bridge Financing Needs - who funds it?

92% say existing equity investors need to fund bridge rounds. Somewhat surprisingly, 50% say that new investors will play a role with expectations for lender participation pretty much the same as 12 months ago.

**Now**

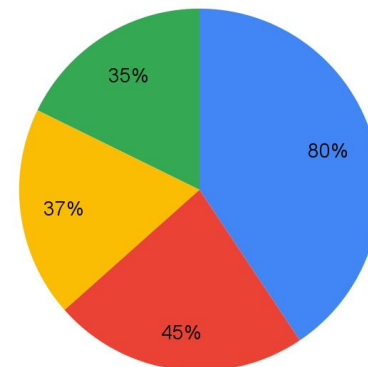
Who will fund the bridge rounds (all that apply) (N=48)



● Existing Equity Investors
 ● New Equity Investors
 ● Existing Lenders
 ● New Lenders

**12 Months Ago**

Who will fund the bridge rounds (all that apply) (N=60)



● Existing Equity Investors
 ● New Equity Investors
 ● Existing Lenders
 ● New Lenders

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# Investor Sentiment - Quantitative

**Seed/A equity investors are feeling the positivity!**

**A/B/Growth are pretty much equally feeling the neutrality.**

**Lenders, at banks\*, are feeling a bit more positive than A/B/growth equity (and much less so than Seed/A).**

*\*Non-bank lenders actually had zero positive to say on the market, in my interpretation at least, as we'll see in their written statements in the next section.*

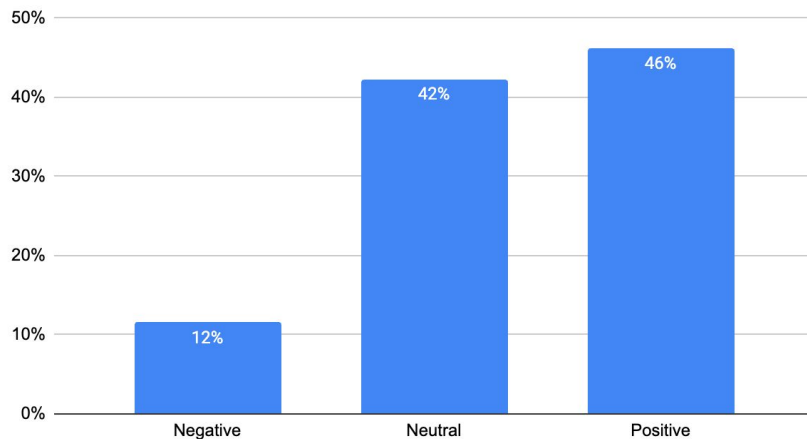
*Note: I personally know a bunch of non-bank lenders (including myself) and they're not **all** sourpusses.*

# So, how's everyone really feeling?

Significant shift to positivity compared to 12 months ago and 2x what it was 24 months ago. Let's go!  
 That said, neutrality has hovered in the 40-50% range since our first survey 24 months ago.

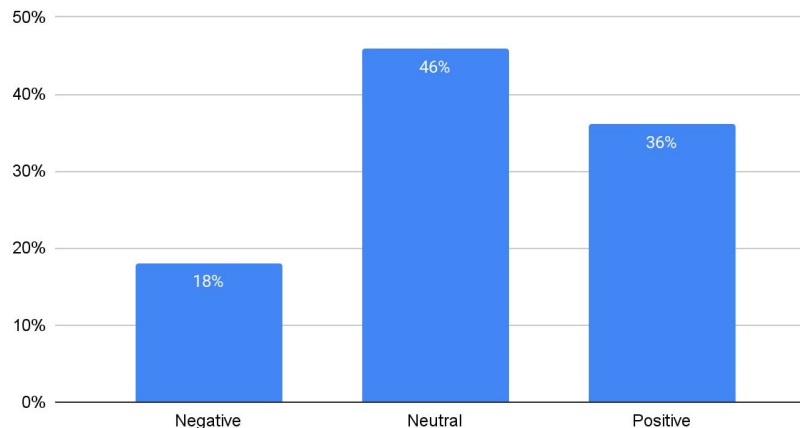
## Now

Next 12 Months Sentiment - All Capital (n=52)



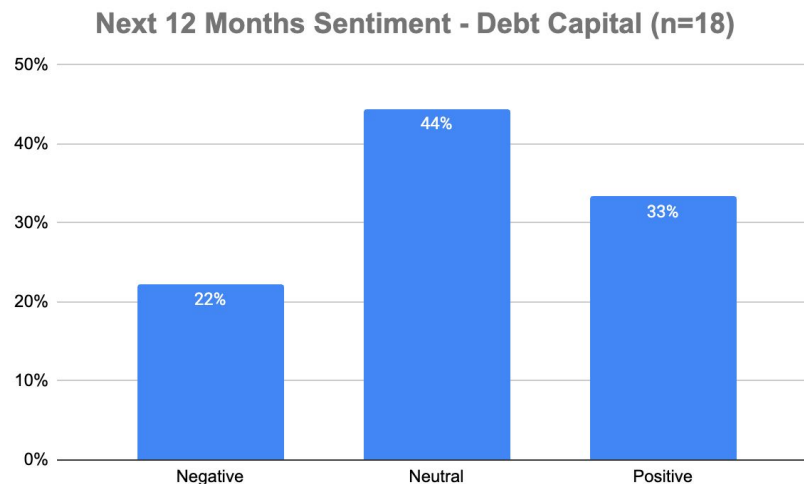
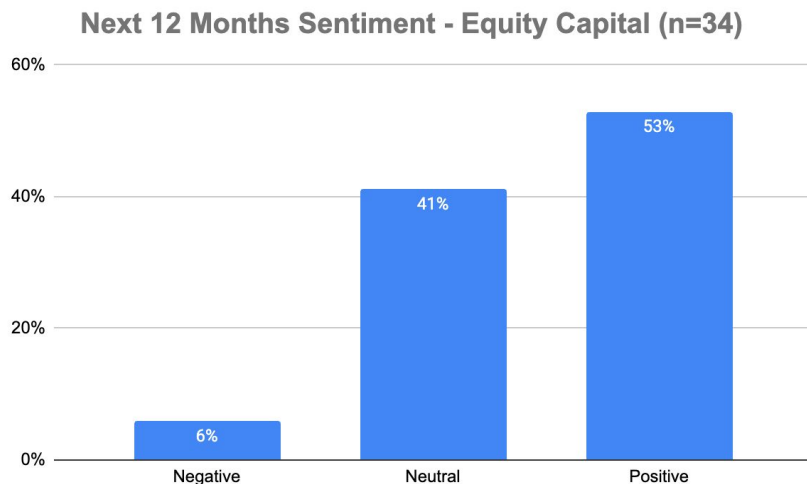
## 12 Months Ago

Next 12 Months Sentiment - All Capital (n=61)



## Sentiment Split - Equity vs. Debt

>50% of equity investors report positive sentiment for the next 12 months with 12% of equity investors having shifted from negative to positive from 12 months ago. Debt's negative sentiment was about the same as it was 12 months ago (22% vs 20%); however, there has been a shift from neutrality to positivity of 9%.

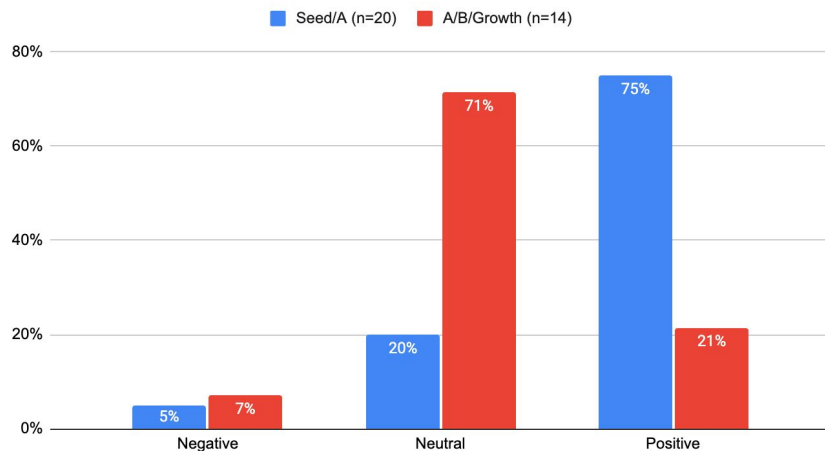


# Sentiment - Equity Capital by Stage

Big shift to positivity for Seed/A investors from 12 months ago (up 29%). This is more so due to a compelling opportunity set from a valuation rather than a company performance perspective. A/B/Growth has swung to 71% neutral with a slight downtick in negativity (5%) and a meaningful downtick in positivity (14%).

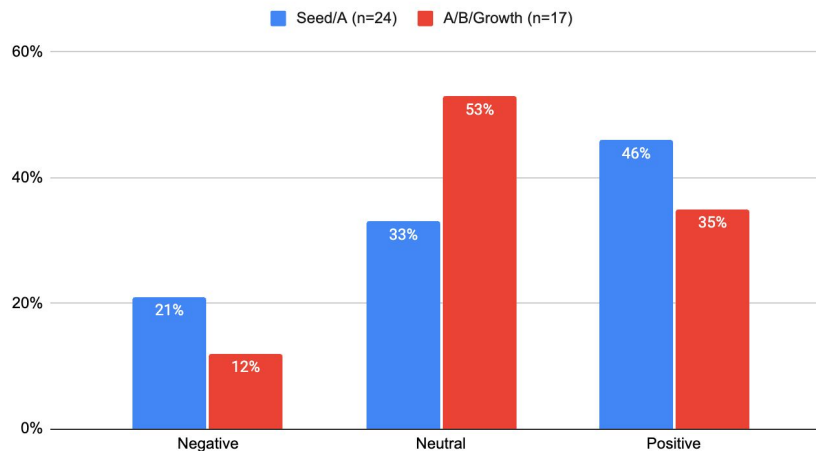
## Now

Next 12 Months Sentiment - Equity Capital by Investment Stage



## 12 Months Ago

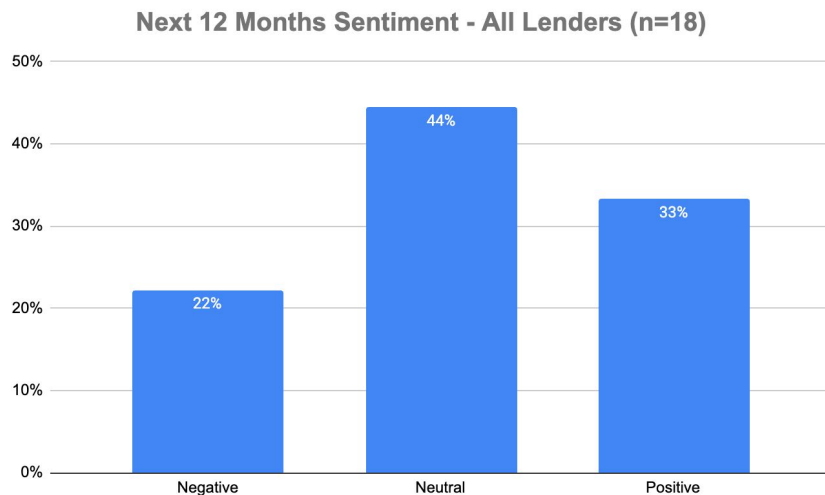
Next 12 Months Sentiment - Equity Capital by Investment Stage



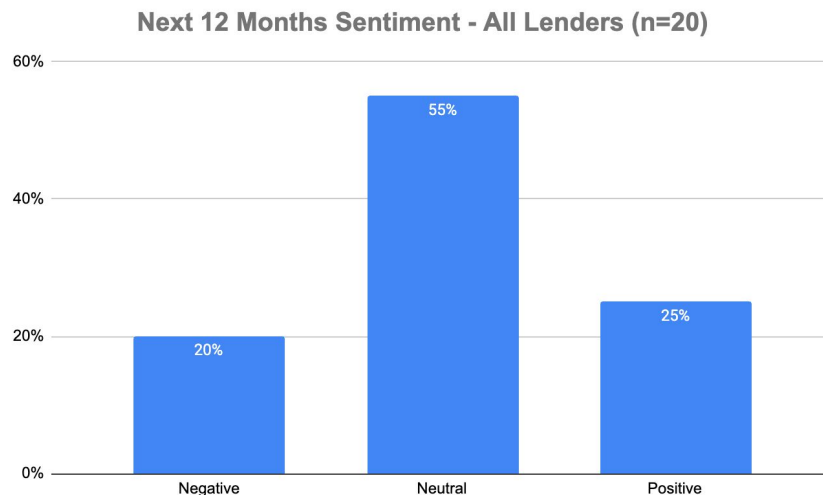
# Sentiment - Debt Capital

For the 2nd year in a row, lender positivity is on the rise (up 8% from 12 months ago and up 15% from 24 months ago). While negative sentiment nudged up 2% to 22%, it's worth noting that it was at 41% 24 months ago.

## Now



## 12 Months Ago



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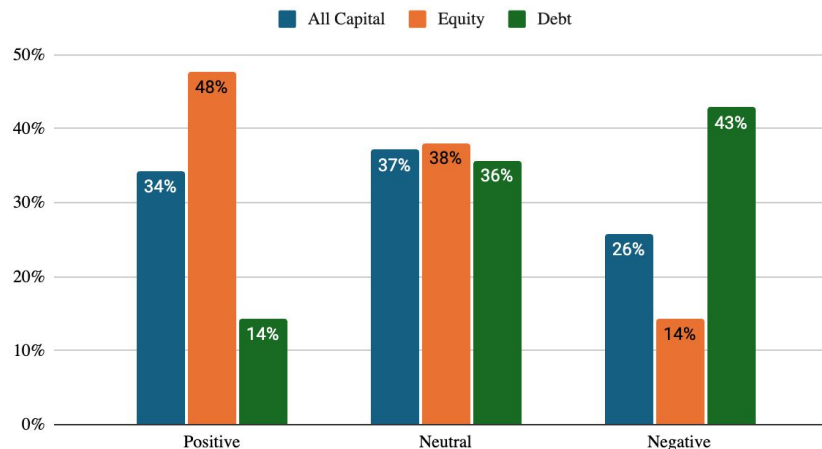
# Investor Sentiment - Qualitative

Please provide a short statement about your thoughts on the current market

## Qualitative Sentiment Assessment (reading tea leaves 1)

Pretty even distribution when looking at all capital. However, keying in on the orange (equity) and green (debt) bars, we see the real picture in terms of how far apart their sentiment actually lies. Could simply chalk it up to equity investors being optimists (they hold the potential upside) and lenders being more realists. Let's go with that.

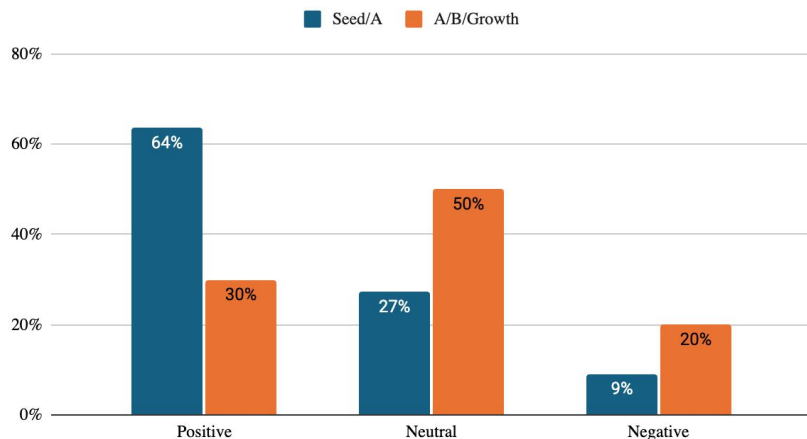
Qualitative Sentiment - Thoughts on Current Market (n=35)



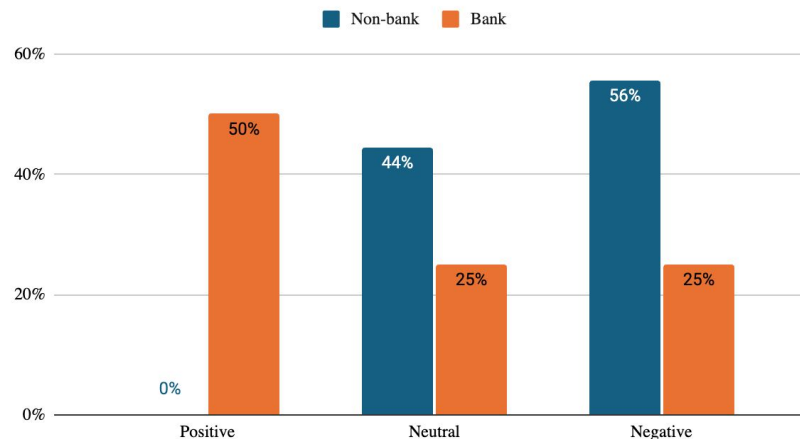
## Qualitative Sentiment Assessment (reading tea leaves 2)

Seed/A equity investors are ~2x as positive as A/B/Growth. Is this always the case or is it that A/B/Growth investors have been fighting more portfolio challenges for the past 2 years than Seed/A investors? Non-bank lenders showing zero positivity (come on y'all). Banks more akin to equity investors (their lending is tied to equity).

Qualitative Sentiment - Equity By Stage (n=21)



Qualitative Sentiment - Lender By Type (n=14)





## Seed/A Equity Investors - Positive

- “2023 was better than 2022 and 2024 seems to be better than 2023.”
- “Company performance has been trending up, and the shift in mindset towards capital efficiency has reduced the need or desire for companies to raise large dollars from VC. The availability of secondary has also decreased.”
- “It seems like we hit the bottom, and that (depending on interest rates and the election) we may slowly be climbing out of it.”
- “It's a great time to invest. We are raising our sixth fund and already 40% committed. It's difficult to imagine things going back to the crazy days in 2021. But for those VCs that remain and that have capital, it's going to be great. Portcos are struggling to raise except for those with amazing 2x to 3x Y/Y growth. They get both VC \$ and lender \$.”



## Seed/A Equity Investors - Negative/Neutral

- “Very challenging market to fundraise -- for funds and for port cos. Some signs of improvement, but I expect it to be slow in materializing.”
- “Signs of progress, but M&A needs to pick up.”
- “Irrational and rational at the same time - threat of a giant crash is looming, but might not be for 2-4 years.”
- “Seed still active, Series A coming back to life. Many investors and companies are still working out the overfunding bubble at the end of the ZIRP era. Limited liquidity at the later stage, either public markets or large M&A, everyone waiting to see where prices land. LPs are trepidatious, disillusioned with TVPI and looking for DPI.”



## A/B/Growth Equity Investors - Positive(ish)

- “Early stage still all over the place on value, later stage growth normalized a bit more, haven't really felt the full correction in valuations because companies flush with cash, and more competitive than ever on the new deal sourcing front. Feels like there's going to be an unlock in seller's appetites over the next 2-3 quarters.”
- “Relatively optimistic for the next 12 months.”
- “Upper end has too much money chasing too few opportunities, VC still has long time horizons and risk, “early growth equity” has lots of attractive companies not requiring large sums of growth capital with lots of exit options.”




## A/B/Growth Equity Investors - Neutral/Other

- “Market has begun to thaw but there is still trepidation. Appears to be large number of companies and dollars sitting on the sidelines.”
- “Until liquidity improves, access to capital is the primary challenge for those without dry powder. For those with it, getting into high quality companies at good prices is achievable. Anything AI-forward is likely overpriced.”
- “Assets that are slightly better than average seem to command a disproportionate premium that is surprising.”
- “For SaaS businesses it's either a needed recorection or a new normal. I'm not sure which yet, so staying cautious about engaging in new deals with suspect exit horizon.”
- “Meh” 🙄



## Non-bank Lenders - Negative

- “SaaS financing is competitive. Most players are underpricing the risk.” 
- Net interest margin is being compressed, multiple new competitors in the space, us and many others are now moving upmarket.”
- “Challenging, tougher for all but the best performing companies. Mindset still needs to change more to match the market environment for capital.”
- “The software fundraising market is very slow and will continue to be muted until interest rates go down. There is meaningful near, mid and long term risk in software created by saturation, AI and economic/political factors.”



## Non-bank Lenders - Neutral

- “Flight to quality and hyper competitive”
- “Fractured - down the fairway SaaS w/growth, hyper competitive for capital. Anything else, it's crickets but the borrowers still aren't acknowledging that fact when negotiating with lenders.”
- “Extremely competitive for growing companies with modest to low burn.”
- “Prolonged recession in new early-stage VC funding has crippled demand for new debt, put stress on reserve capital, and forced increased competition among well-funded later stage companies. Non-AI investment saw a small uptick in June, but TBD if that continues in 2024. ”



## Bank Lenders - All Sentiment

- “Lower rates + change in White House should provide significant tailwinds.”
- “As macro conditions improve, more private companies will get revenue traction quicker creating more enterprise value.”
- “New entrants into the venture debt space with little to no credit/cycle experience are going to cause major issues with quality startups in 12-18 months. It's easy to throw term sheets after an equity raise, but it's not so easy to be accommodating and helpful when the inevitable wrinkle comes when runway is low.”
- “Expert portfolio management is required.”

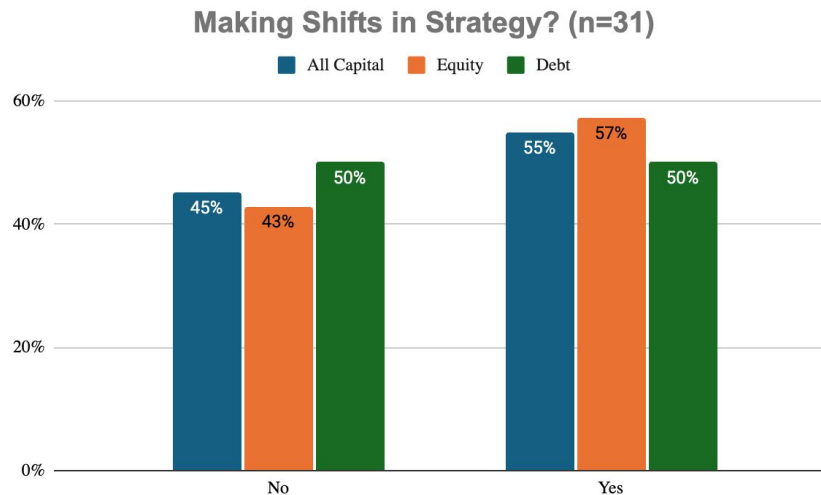
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# Strategy Shifts

Please provide a short statement about any shifts in strategy you're making

## Are investors shifting their strategies? (1)

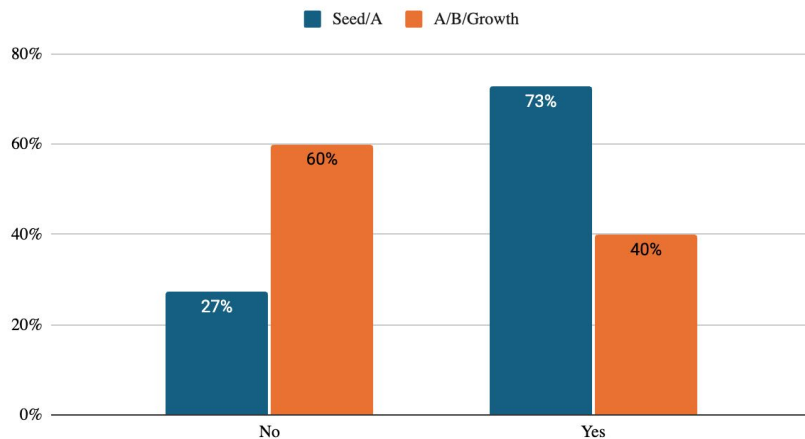
50/50% split on debt. 57% of equity investors with some strategy shift. We'll see more detail on the next slide that shows the real picture.



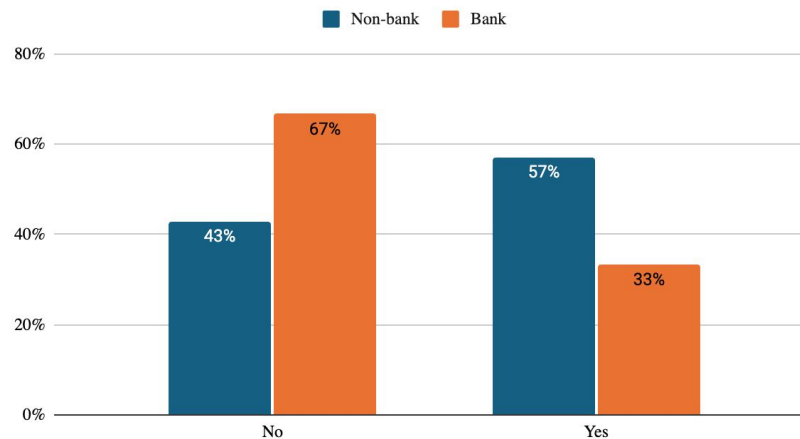
## Are investors shifting their strategies? (2)

Wow, nearly 75% of Seed/A investors stated that they are making some shift in their strategy. This compares to 40% for A/B/Growth investors, 57% for non-bank lenders and 1/3<sup>rd</sup> of bank lenders.

Making Shifts in Strategy? - Equity By Stage (n=21)



Making Shifts in Strategy? - Lender By Type (n=10)





## Seed/A Equity Investors

- “More diversification with smaller checks earlier, focusing larger investments later.”
- “Smaller checks, likely more logos than originally intended.”
- “Shifting to A/B rounds - pre-seed/seed are way too pricey, given the macro, markets, and risk.”
- “Relying on inorganic growth more heavily than organic given longer sales cycles.”
- “More patience in funding the deals that are a "bullseye" for our thesis. Extending more bridge financing while delaying priced rounds until market improvement.”
- “If it's a first-time founder or younger team, goal posts have moved for Seed/Series A. Avoid the GenAI bubble - focus on companies solving problems for their customers.”
- “Since mid-22, we have prioritized capital efficiency and focused on business models we KNOW can raise capital in the future.” **(not a shift)**
- “We haven't changed strategy. Just getting better companies at lower valuations.” **(not a shift)**



## A/B/Growth Equity Investors

- “Staying even more conservative, prioritizing positive cashflow.”
- “Moving later stage.”
- “Widening our scope to companies outside of our typical end markets.”
- “Larger focus on secondary opportunities including CV deals, single asset LP secondaries, and direct secondaries (as part of a primary round or standalone).”



## Lenders

- “We are going upmarket and reducing our burn tolerance.”
- “Focusing on downside protections.”
- “We are actively seeking to deploy a lot of capital so we are reconsidering pricing in order to maintain structure. We also are looking outside of vanilla SaaS as it's too competitive and there's very little growth. The VC dollars have moved to AI.”
- “We initially did Receivable Purchase Agreements in the past (APR 22% - 30%), but have incorporated Term loans (APR 19% - 25%) to capture larger customers with added protections.”
- “looking a deals that are "mid-cycle" and haven't just raised a net new lettered round.”
- “Not much chasing nor stretching to win deals.” **(not a shift)**



## Key Takeaways - Investing Activity

- **Increased Activity Among Lenders:** Non-bank lenders have reported a significant increase in activity in the first half of 2024, with 59% being more active compared to the same period in 2023. This marks a nearly 50% increase from last year, signaling robust lending momentum. Bank lenders also showed a notable uptick in activity, with two-thirds reporting higher activity levels compared to the previous year, and none reporting decreased activity.
- **Equity Investment Trends:** Equity investors, particularly those focused on A/B/Growth stages, are also seeing an increase in activity. 44% of equity investors reported being more active in 1H 2024 than in 1H 2023. However, there is a growing bifurcation in the market, with some investors pulling back, as evidenced by 35% of Seed/A investors reporting they were less active in 1H 2024 vs. 1H 2023.
- **Bridge Financing Expectations:** A significant portion of capital providers (35%) anticipate that more than 25% of their portfolio companies will require bridge financing in the next 12 months, an increase from the 22% who had similar expectations last year. The responsibility for this funding is overwhelmingly expected to fall on existing equity investors (still appetite and powder to do so?), with a smaller role for new equity investors.



## Key Takeaways - Sentiment

- **Positive Shift Despite Lingering Neutrality:** There has been a noticeable shift towards positive sentiment among investors, with over 50% of equity investors expressing optimism for the next 12 months. This is a marked improvement from the previous year, particularly among Seed/A investors, where positivity has increased by 29%. However, neutrality remains high, particularly among A/B/Growth investors, with over 70% expressing neutral sentiment. This suggests that while the outlook is improving, many investors remain cautious as they navigate the current market environment.
- **Debt vs. Equity Sentiment:** Lenders have also seen an increase in positivity, with a 9% shift from neutrality to positivity. However, the level of negative sentiment remains relatively unchanged from the previous year, indicating that while there is cautious optimism, concerns about the broader economic environment persist.
- **Cautious Optimism in Qualitative Assessments:** Qualitative responses reveal a mix of optimism and caution. Many investors believe the market has bottomed out, with some expecting gradual improvement. However, there is still concern about the impact of previous overfunding and overvaluation, particularly in later-stage investments.



## Key Takeaways - Strategies

- **Increased Conservatism and Discipline:** Many investors have continued to raise the bar for investability, with a focus on capital efficiency, fundamentals, and disciplined deployment of capital. This conservative approach is reflected in a shift towards smaller check sizes, more logos, and a greater emphasis on downside protections, particularly among lenders.
- **Focus on Valuations and Fundamentals:** Growth remains important but has been deprioritized in favor of investments with strong fundamentals (mainly capital efficiency) and attractive valuations. Investors are increasingly seeking companies with more traction, scale, and liquidity, while avoiding high-burn businesses. There is also a notable shift towards later-stage investments and secondary opportunities, as investors look for more secure and scalable opportunities in a challenging market.
- **Sector Focus Adjustments:** Some investors are adjusting their sector focus, particularly by avoiding the GenAI bubble and instead targeting companies that are solving real customer problems. This shift reflects a broader trend towards more pragmatic and sustainable investment strategies in the current environment.



# Thanks to all contributors and readers!

If you'd like to discuss, collaborate or just catch up, reach out

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