Capital Advisors Group's

# Debt Market Update

## Q1 2025

## Commentary – Q1 2025

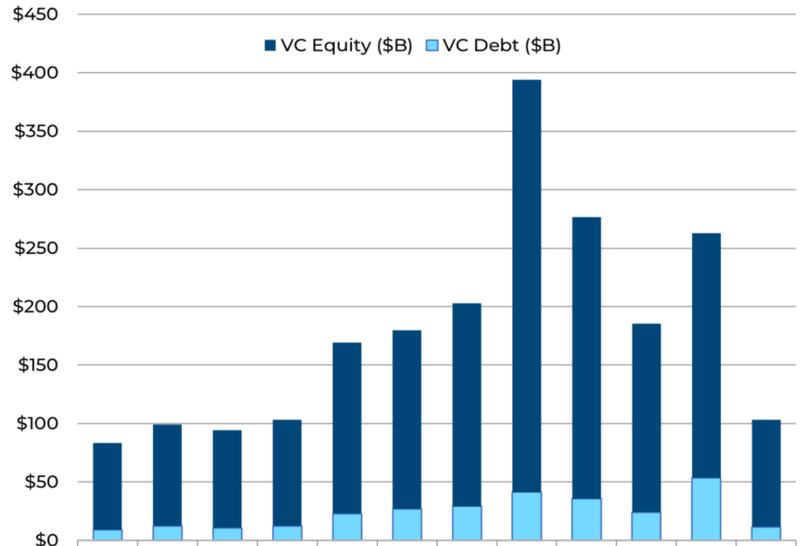
As we review the overall numbers for Q1 '25, we see a tale of two markets – technology and healthcare. Tech market deal value of $11.5 billion remains very healthy relative to historical quarterly value numbers.

Healthcare, on the other hand, hit a new quarterly low in deal value of just $400 million. Notably, despite these mixed deal value numbers, both sectors experienced somewhat shocking historic lows when it came to total deal count. At 122 deals, the tech sector deal count came in at less than half of the previous lowest quarterly deal count recorded in the past five years. Healthcare fared even worse recording just 33 deals, a drop of 61% from the prior low quarterly deal count recorded back in 2023.

We generally attribute these trends to a continuation of lenders moving toward larger, later-stage growth investments. These deals tend to be much larger skewing average deal size higher. So, while the tech sector enjoyed a strong quarter in deal value, growth-stage-focused lending accounted for 83% of all completed deals in Q1, according to Pitchbook.

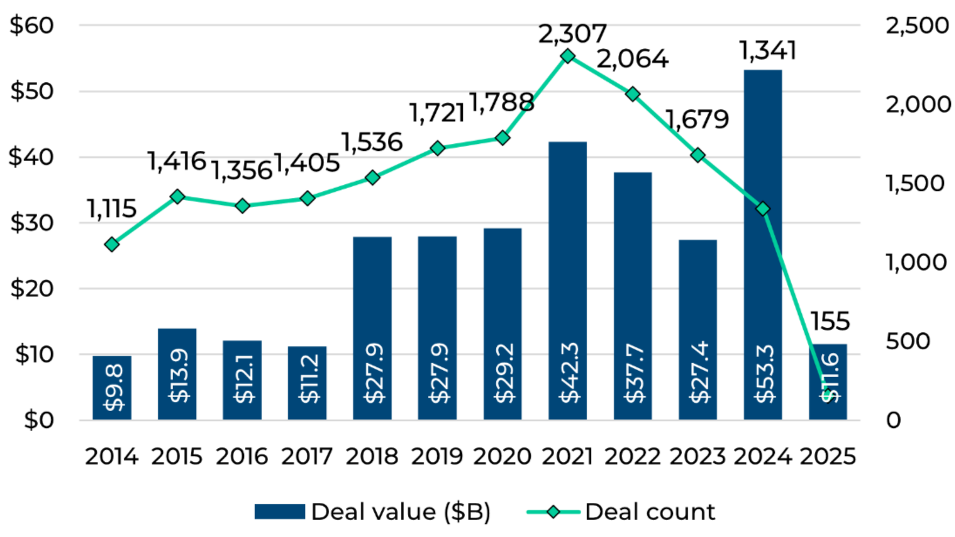
Historically, early-stage and later-stage VC backed companies commanded the lion's share of venture lending, but that trend began to shift toward growth companies in 2020 and has accelerated dramatically into this year.

## US Venture Capital and Debt Activity




| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| VC Equity ($B) | $74.3 | $86.6 | $83.6 | $90.8 | $146. | $153. | $173. | $352. | $240. | $161. | $209. | $91.5 |
| VC Debt ($B) | $9.0 | $12.3 | $10.7 | $12.3 | $22.6 | $26.7 | $29.0 | $41.3 | $35.5 | $23.9 | $53.3 | $11.5 |
| Debt / Equity (%) | 12.1% | 14.2% | 12.8% | 13.5% | 15.4% | 17.4% | 16.7% | 11.7% | 14.8% | 14.8% | 25.5% | 12.6% |

## US Venture Debt Activity




*Information and data sources include PitchBook Data as of 3/31/2025 and other publicly available data from parties that Capital Advisors Group has engaged with on historical debt transactions and is suited for general informational purposes only. Capital Advisors Group makes no representation or warranty regarding the accuracy or completeness of the data. Please click here for disclosure information: Our research is for personal, non-commercial use only. 

## Healthcare

As master rhetorician Yogi Berra once chimed, "It's like déjà vu all over again." The healthcare venture debt market found a new quarterly low point in deal value at just $400 million in deals completed in Q1 and it cratered in the total deal count at just 33 deals completed, a new quarterly low point since such records have been kept. These record low numbers are certainly in step with the equity markets in the healthcare space. Public market volatility and regulatory uncertainty in the US appears to be leading to fewer exit opportunities for healthcare companies and thus a stagnating private equity financing environment. However, Mr. Berra also famously quipped, "The future ain't what it used to be." We can only hope for settled markets and a brighter outlook for healthcare in the second half of this year and into 2026.

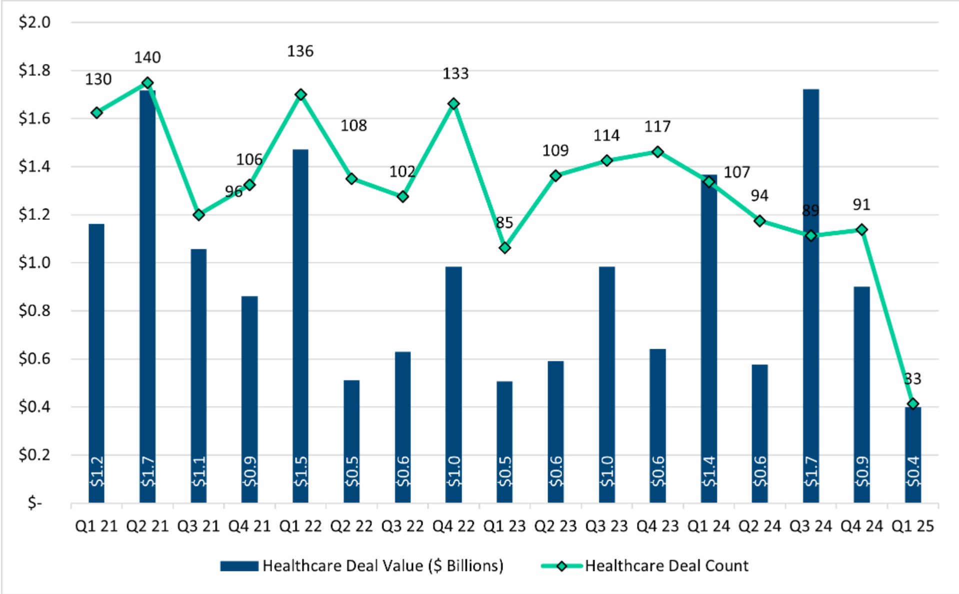
## Technology

Within the tech sector, the number of deals completed declined to a new five-year low in Q1 2025. With just 122 deals completed in the quarter, volume showed a 61% decline year-over-year and a 60% decline quarter-over-quarter.

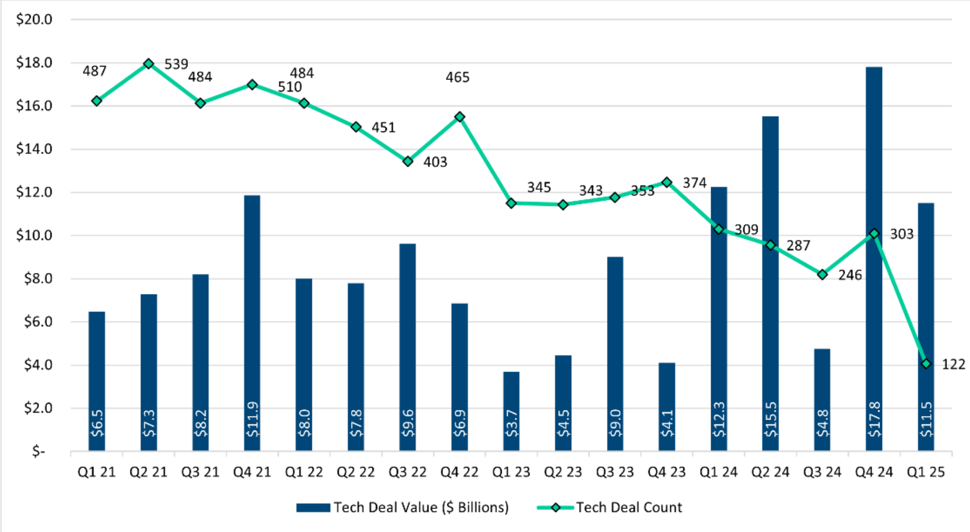
The value of completed deals held up much better with $11.5 billion in venture debt being deployed in the tech sector in Q1 2025. This represents a 6% decline year-over-year and a 35% decline quarter-over-quarter. However, it still represents a strong quarter as the quarterly average for venture debt in the tech sector since 2021 is $10.1 billion.

With the number of deals declining so significantly in Q1 2025, it may be tempting to assume that lenders have tightened underwriting standards significantly. However, our experience and market conversations tell a different story. Many lenders note that there is a healthy level of competition for deals, while lamenting the dearth of actionable opportunities.

### US Healthcare Venture Debt Activity




### Technology Venture Debt Activity



## Why Consider Venture Debt

**Runway Extension**
Extends runway required to hit important milestones prior to next equity raise, which may help drive a higher valuation.

**Less Dilutive Growth Capital**
Enables continued investment in growth, while minimizing the dilution associated with raising equity.

**Enhance Liquidity**
Provides a cash cushion, which may act as "insurance" if it takes longer than anticipated to reach the next milestone or raise the next equity round.

**Acquisition Financing**
Reduces operating burn to provide more cash for potential acquisitions.

**No Board Seat Requirements**
Brings on a significant capital partner without impacting current board dynamic.

### End-to-End Transaction Support

From initial query to cash in hand, we develop your strategy, evaluate potential lenders, solicit bids, and help you source the most favorable deals.

Consultation → Data Preparation → Lender Sourcing → Negotiation → Bid Selection

1 Week | 2 – 6 Weeks | 1 Week

### Sample Transactions

| CareAcademy | predactiv | scratch |
|---|---|---|
| Term Loan | Term Loan | Term Loan |

Recently completed debt deals. For our clients' confidentiality, only those clients who have authorized us to use their name and financing information in our marketing materials are listed. Clients listed do not necessarily endorse or approve of the debt advisory services provided by Capital Advisors Group.

## Key Team Members

Since 2003, we have worked side-by-side with emerging growth companies to help obtain the best terms and conditions for debt transactions ranging from $5M to more than $200M.

**Stefan Spazek**
EVP—Director of Debt Placement

**Ryan McCarthy**
Managing Director

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