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Who's Seeking Angels' Money Today?

Early-stage companies offer a look at tomorrow's breakthrough technologies

Highlights:

- The data layer surrounding veterinary medicine is finally robust enough to leverage innovative software-based products.
- Not surprisingly, having AI at the core or at least critical in a company's product development skyrocketed last year.
- Last year, the typical founder gave up about 20% of the company in an early round, but this year, it was closer to 11%.

Angel investors – the kind of companies applying to the Veterinary Angel Network for Entrepreneurs, or VANE – are looking for companies that will be revenue-positive in three to five years. That makes VANE a strong "early warning system" in animal health, according to CEO Dr. Natalie Marks. "When we see a surge in a category, it shows us where the next generation of tools for our profession will come from."

This year is the third year that aggregated VANE applicant data has been analyzed, and it can be a powerful forecaster of trends and technologies. If the market need is already met, what's the point of creating a new company? On the other hand, if the technology is so new that it would take more than five years to get to market, it's doubtful investors will fund a company through the red for that long a time.



This analysis is for the cohort of companies that applied for funding between Aug. 1, 2025, and Aug. 1, 2026. Not all companies completed their applications and some of the groupings were somewhat arbitrary. Those caveats in mind, there are still some interesting trends to note.

Fewer applicants

There were slightly fewer applicants in the 2025-2026 cohort (125) compared to the 2024-2025 cohort (138). This is probably a real trend and reflects the more difficult overall funding environment this year compared

to last. Money is more expensive to borrow, safe investments like bonds offer investors better returns than last year, and the exits that entrepreneurs and investors get excited about aren't as prevalent as they have historically been.

Software-based companies

The real story in last year's cohort is the move toward software-based companies, with 38% in 2025-2026 compared to 25% in 2024-2025. This is interesting because it could be interpreted that the data layer surrounding veterinary medicine is finally robust enough to leverage innovative products, whereas historically we had more physical products -- hardware, therapeutics and diagnostic companies.

Not surprisingly, having AI at the core or at least critical in a company's product development skyrocketed last year. In the 2024-2025 cohort, 34 of 138, or roughly 25% of companies, mentioned AI. In last year's cohort, this jumped to 50 of 125 companies, or 40%. A 15-percentage point increase is noteworthy, even if this trend was predictable. One might ask what was going on with the 60% of applicants who didn't mention AI? Remember that we were looking at companies using AI as something core to their business, not just an enabling technology.

Holding on to equity

Continuing the theme that money is harder to come by and that companies are loath to give too much of their equity away to early-stage investors, the amount companies were seeking to raise fell in 2025-2026 to median of $1M compared to $1.23M the year before, and pre-money valuations rose from $5M in 2024-2025 to $8M in 2025-2026. Some of this is likely a reflection of the capital-raising environment, but it also may reflect the lower need for capital in software companies compared to companies producing hardware, therapeutics or diagnostics. In addition, there was a shift to earlier stage funding, with pre-seed funding being sought by 39.3% of the applicants, compared to 22% the year prior, and scaling capital only being sought by 15.7% of applicants, compared to 28.6% in 2024-2025.

"Last year, the typical founder gave up about 20% of the company in an early round, but this year, it was closer to 11%," says Dr. Marks. "Founders are holding on to more equity and making every dollar go further, helped by capital-light software models. For investors, that raises the bar. As valuations climb, teams must justify the price, and the team is always what we underwrite first."

Dealing with the micro-pivots

There are still lots of great early-stage companies out there and the future of innovation in veterinary medicine is bright. As our data ecosystems mature, more advanced technologies can come into the field to produce value-adding solutions for practices and suppliers, ultimately resulting in better medicine and healthier lives for pets and production animals.

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Early-stage investors must look at the potential market need (extant or latent), the technology being produced by a company and – most important – the team the company has assembled. Every entrepreneurial company will have a thousand micro-pivots and hurdles to overcome before they find their exit, but those that navigate successfully may be the next CoVet, Invetx or Scout Bio.



Dr. David Haworth, DVM, PhD, is a member of VANE and sits on its Executive Committee. He is an experienced C-suite executive in the animal health industry. He advises multiple early and mid-stage companies and sits on several boards including the NAVC Board of Directors. He is co-founder and former president of Vidium Animal Health, former president of PetSmart Charities, and former president and CEO of Morris Animal Foundation. He spent 11 years at Pfizer Animal Health (now Zoetis) in R&D and business development, and is licensed to practice veterinary medicine in Colorado and Montana.