

Life Sciences Snapshot

A Quarterly Report on
Financing Trends

The Evolving Landscape
of Alternative and
Non-Dilutive Financing
Q4 2025

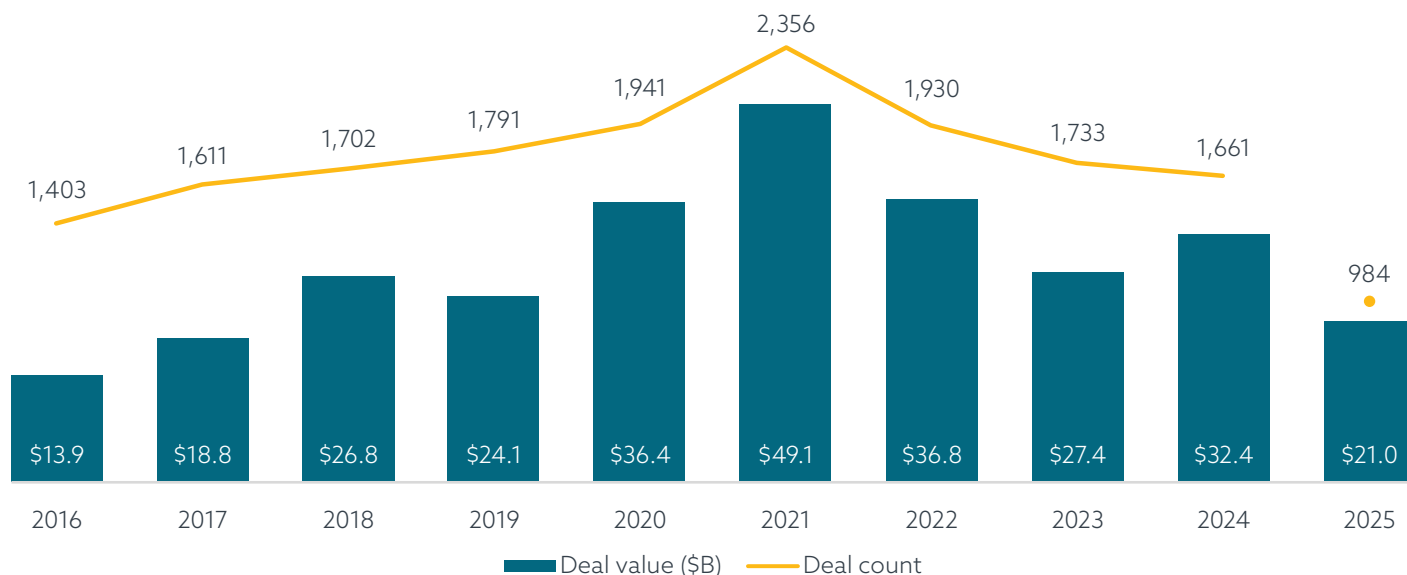


Data provided by



Key Takeaways

Life sciences VC deal activity



Source: PitchBook • Geography: US
As of September 8, 2025

US life sciences venture activity slowed sharply in Q3 2025, with deal flow drifting down to a decade low. The policy backdrop was mixed: Faster review timelines continued to help approvals, yet compliance and supply chain risks—particularly around the revived BIOSECURE Act—added friction. Near-term funding conditions remain choppy, but a steadier macroeconomic environment and potential cuts to interest rates could gradually improve sentiment.

The pullback in dealmaking is most visible at the earliest venture stages, where investors are showing less appetite for risk. This has pushed the deal mix toward larger rounds at later stages, while many young companies are leaning more on nondilutive sources like grants

to bridge early milestones. By contrast, late-stage capital has been comparatively resilient, with larger checks concentrating around platform plays, AI-enabled drug discovery, clinical development, and devices.

Liquidity remains the key constraint on deal activity. Exits are subdued and M&A activity—the primary route to returns—has slowed, reinforcing caution across the ecosystem. At the same time, buyer interest has coalesced around a handful of hot modalities and therapeutic areas, which is intensifying competition among the strongest market players and leaving newer startups waiting longer for outcomes.

Orrick's Q4 2025 quarterly report on US life sciences funding

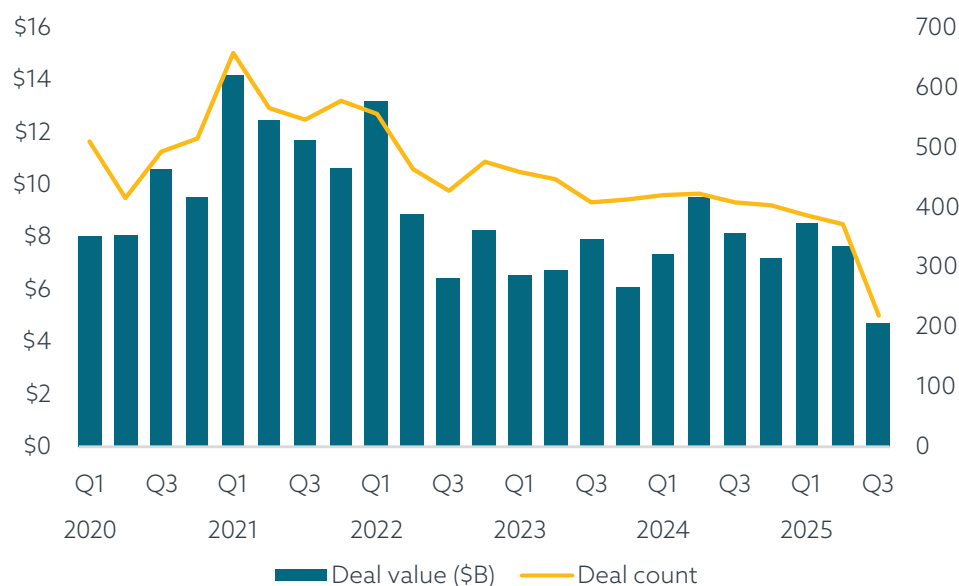
covers insights into regulatory developments, financing structures, and strategic M&A themes shaping the 2026 pipeline. Key takeaways include:

- Early-stage risk appetite remains muted while capital continues to consolidate into fewer, larger bets.
- Late-stage financing was steady in Q3, led by AI-driven platforms and the convergence of devices and therapeutics.
- Regulatory shifts and supply chain exposure are increasing compliance risks.
- Thin exit markets and slower M&A activity have kept liquidity tight, favoring the strongest buyers and assets.

Market Analysis

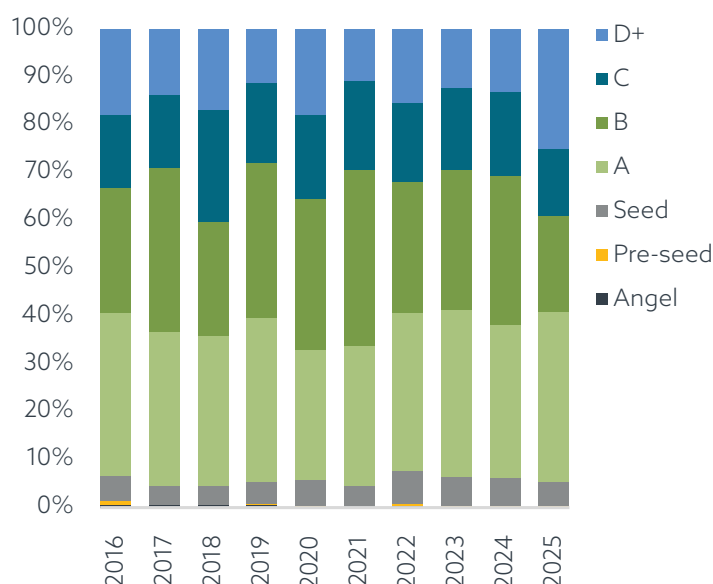
Q3 2025 was the toughest quarter yet for US life sciences VC funding, with some of the lowest quarterly deal flows recorded over the past decade. Approaching the end of this quarter, only 221 VC deals have closed, raising \$4.7 billion YTD compared with 374 deals closed and \$7.7 billion raised in Q2. Regulatory reforms to drug approval times have long succeeded in bringing more drugs to market at a quicker pace,¹ but other regulatory challenges are mounting, distracting life sciences companies from what they do best—delivering drugs for unmet medical needs. Under the recently revived BIOSECURE Act, US life sciences companies that have contractual relationships with Chinese biotech suppliers, which are major US pharmaceutical partners, run compliance risks. Life sciences

Life sciences VC deal activity by quarter



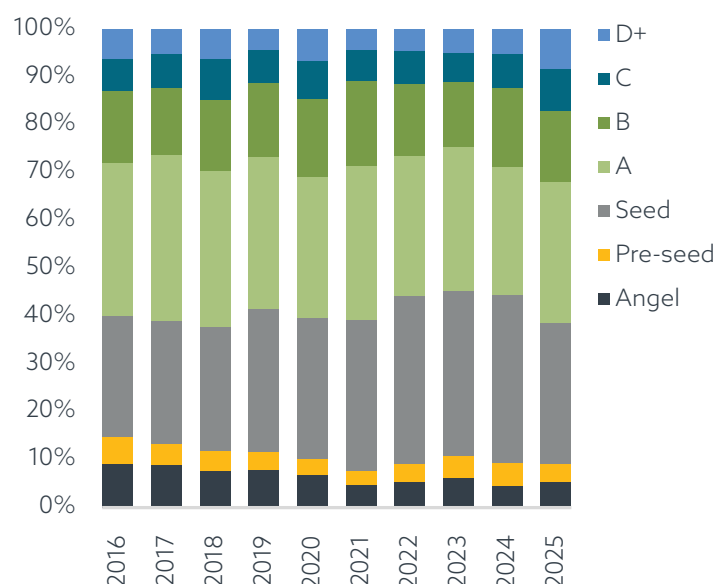
Source: PitchBook • Geography: US
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Share of life sciences VC deal value by series



Source: PitchBook • Geography: US
As of September 8, 2025

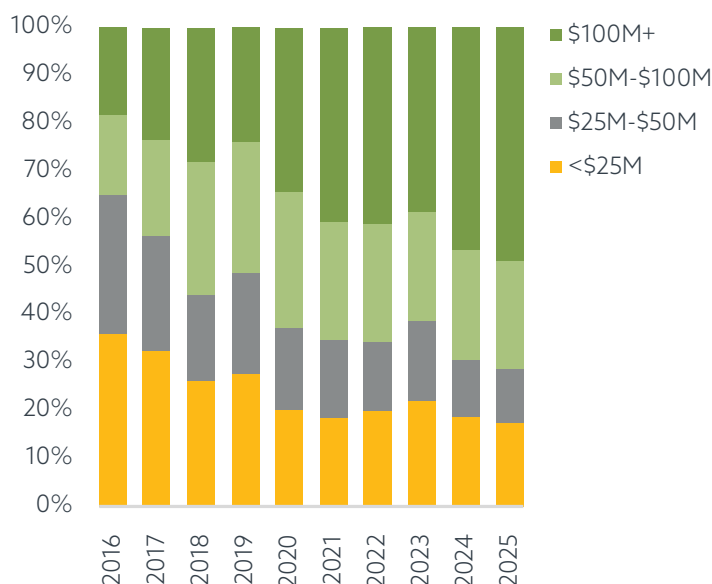
Share of life sciences VC deal count by series



Source: PitchBook • Geography: US
As of September 8, 2025

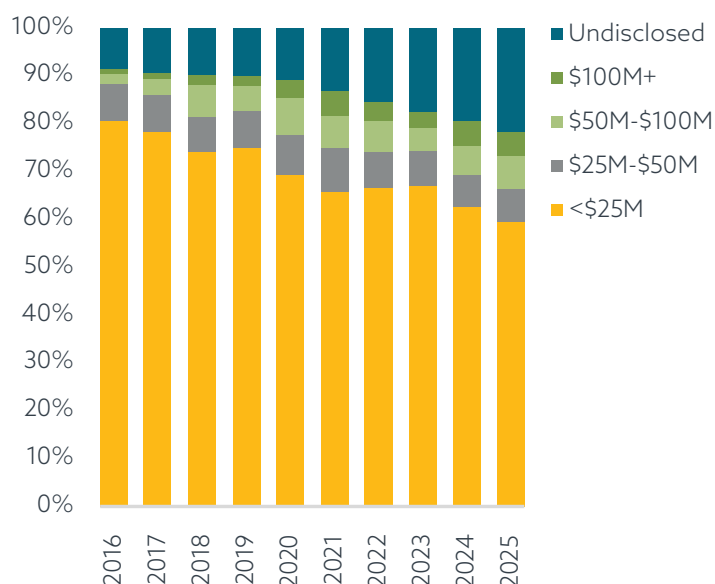
¹: "Analysis of US Food and Drug Administration New Drug and Biologic Approvals, Regulatory Pathways, and Review Times, 1980–2022," Scientific Reports, Enrique Seoane-Vazquez, et al., February 9, 2024.

Share of life sciences VC deal value by size bucket



Source: PitchBook • Geography: US
As of September 8, 2025

Share of life sciences VC deal count by size bucket



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funding activity will likely face a rocky short-term outlook, but sustained US GDP growth and further interest rate cuts throughout the rest of the year will likely support a recovery in the sector's funding momentum.

Looking back at this latest quarter, the funding downturn was most pronounced at the earliest stages of funding, namely the angel and pre-seed stages. The share of angel and pre-seed deal volume YTD fell to 8.9% from the pre-pandemic level of 11.7%. The decline in the share of deal volume at the angel and pre-seed stages was also reflected in the sector's check sizes. Life sciences VC checks have consistently leaned larger, as deals under \$25 million fell to a decade low of 59.7% in Q3, down from 87.3% in 2010. These stages of funding are riskier to participate in and this year's macroeconomic climate was not one to warrant risk-taking. However, aside from VC, these young life sciences startups

also rely on alternative financing, such as grants, and Congress has consistently increased the budget of the US National Science Foundation, one of the nation's main research & development grant providers, to meet this need.²

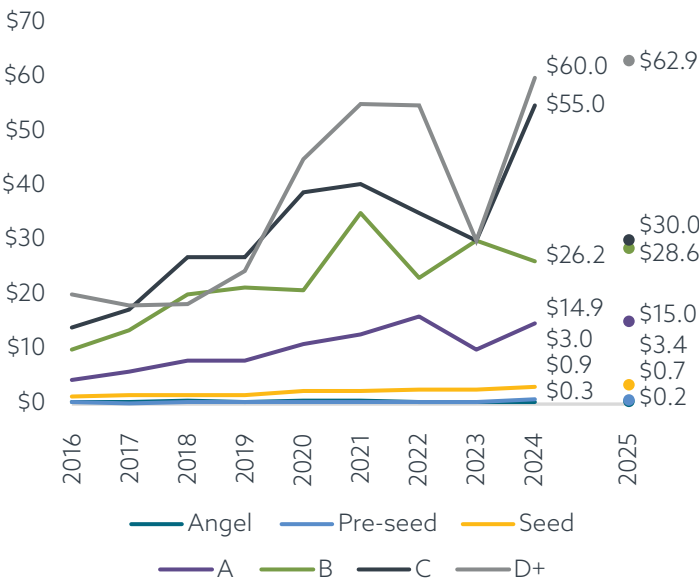
On the other hand, later-stage growth capital, especially at the Series D+ stages, has been particularly abundant. US life sciences startups have already raised \$4.6 billion in 2025 for rounds Series D and later, mirroring the large sums of capital raised during the pandemic. In fact, median Series D+ check sizes reached a record \$62.9 million. The proliferation of AI tech in drug discovery and therapeutic devices fueled this trend. Neuralink's \$9 billion valuation in Q2 demonstrates the need for AI-integrated medical device solutions in two of the most complex areas in health: the central nervous system and neural diseases.

Beyond regulation, constrained liquidity has also limited investors' willingness to deploy fresh capital. Only 67 US life sciences VC exits have closed YTD—19 in Q3—and the annualized pace points to another slow year, with exit activity likely below that of 2024. Because acquisitions are the primary liquidity path for investors, a slowdown in M&A suppresses overall exit activity, a dynamic reinforced by subdued macro conditions. Meanwhile, funding has concentrated around select modalities—GLP-1 weight-loss drugs, mRNA and gene editing, and neurological treatments—intensifying competition among Big Pharma acquirers. This has produced deals chiefly among the strongest buyers, such as Eli Lilly (three acquisitions YTD), while others retrench: Novo Nordisk, which ousted its former CEO and cut its workforce by 11% as its GLP-1 grip loosened, has made no acquisitions this year versus three in 2024.³

2: "Fiscal Year 2026 Budget Request to Congress," US National Science Foundation, May 30, 2025.

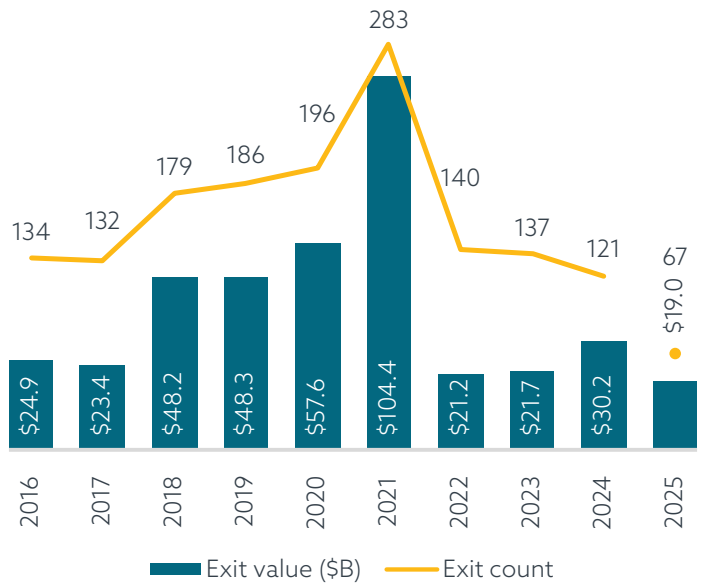
3: "Novo Nordisk Says It's Cutting 9,000 Workers Amid Increased Competition for Its Obesity Drug Wegovy," CBS News, September 10, 2025.

Median life sciences VC deal value (\$M) by series



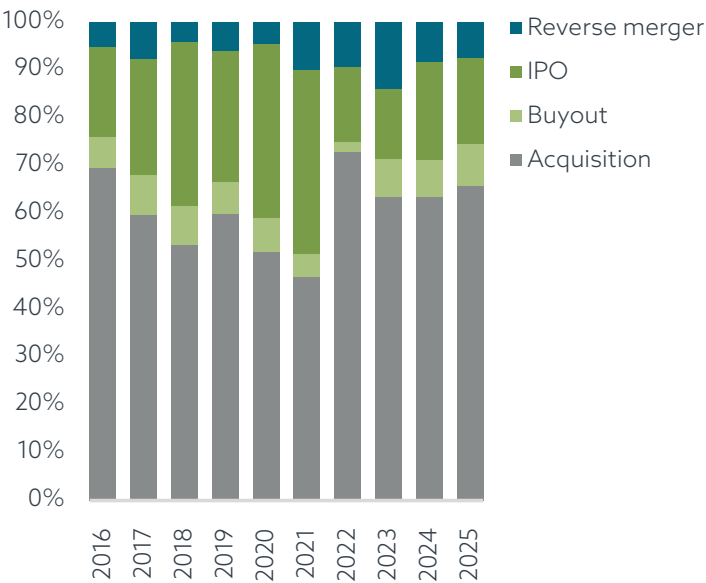
Source: PitchBook • Geography: US
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Life sciences VC exit activity



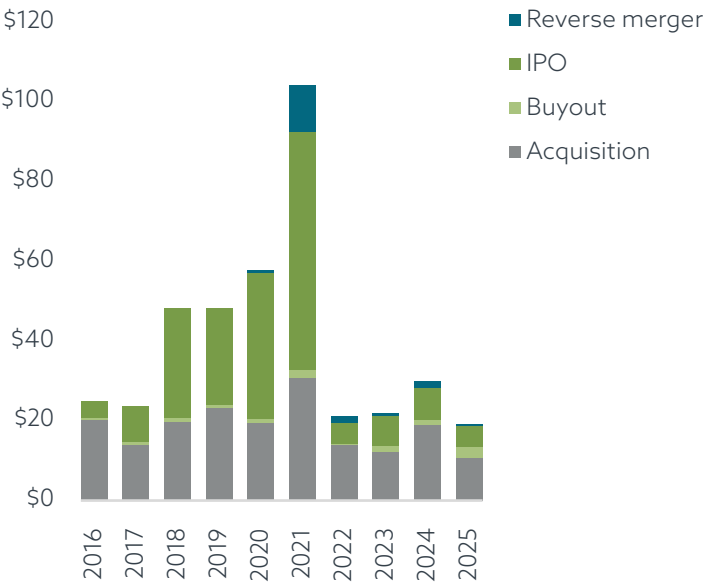
Source: PitchBook • Geography: US
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Share of life sciences VC exit count by type



Source: PitchBook • Geography: US
As of September 8, 2025

Life sciences VC exit value (\$B) by type



Source: PitchBook • Geography: US
As of September 8, 2025

Dispatch from the 2025 Alternative Financing Summit

How Life Sciences & HealthTech Companies Are Expanding Their Capital Playbook

On October 8, Orrick and EisnerAmper hosted the second annual Life Sciences & HealthTech Alternative Financing Summit, convening founders, investors, executives, and industry experts to discuss creative funding pathways in a rapidly evolving capital markets environment.

The program featured perspectives from leaders at Silicon Valley Bank, Royalty Pharma, OrbiMed, Blackstone, Aquilo Partners, Triple Ring, BrightEdge, American Heart Association Ventures, FullSky Partners, and the California Institute for Regenerative Medicine (CIRM).

Speakers explored the current state of the market, new approaches to partnering with strategic and philanthropic capital, and how founders can navigate financing options beyond traditional venture rounds.

Key Takeaways and Emerging Trends

1. Cautious Optimism in the Financing Environment

While the biopharma sector remains under pressure, with valuations still well below prior highs, healthtech has emerged as a bright spot—fueled in part by advances in AI and digital enablement. Investors see renewed activity in quality assets with strong data, capital efficiency, and a clear path to commercialization.

2. Alternative Capital Is Mainstreaming

Royalty and debt financing are playing an increasingly central role, particularly for late-stage or pre-commercial (Phase 3) programs, where investors can underwrite based on robust data packages and defined milestones. These structures have evolved into a core part of the financing toolkit for both public and private companies seeking non-dilutive growth capital.

3. Strategic Partnerships Are Accelerating Development

Build-to-buy arrangements are evolving with broad variability in governance and control structures, tailored to the needs and risk tolerance of each party. Across models, transparent communication and alignment on development milestones remain critical to achieving mutual success.

4. Philanthropic Capital Is Driving Early Innovation

Mission-driven investors such as BrightEdge and AHA Ventures are employing creative strategies to unlock dormant capital, including forming venture studios and hybrid funds that combine charitable purpose with commercial discipline. These models are helping bridge early translational gaps in underfunded therapeutic areas.

5. State and Public Funding Remains a Powerful Catalyst

With \$8 billion in authorized funding, CIRM stands as the largest single funder of cell and gene therapy programs in the world. Its continued focus on translational and clinical-stage projects provides vital support for California's life sciences ecosystem and a model for public investment nationwide.

6. Non-Dilutive Capital Can Strengthen Negotiating Position

Companies leveraging royalties, debt, and grants often gain strategic flexibility, allowing them to negotiate equity terms from a position of strength and better control their long-term capitalization strategy.

7. Investor Diligence Is Becoming More Multidimensional

Panels highlighted that today's diligence extends beyond science and IP—encompassing reimbursement strategy, manufacturing scalability, AI integration, and team execution capability.

8. The Line Between Philanthropy and Venture Is Blurring

Hybrid vehicles and impact-driven funds are combining charitable intent with commercial rigor, unlocking new funding avenues for high-risk but high-impact innovations.

9. Sustained Interest in Healthtech Enablement

Investors see strong potential in digital tools that enhance clinical trials, patient engagement, and R&D productivity, even amid broader market conservatism.

10. Collaboration Across Funding Sources Is Key

The most successful companies are creatively sequencing capital—from grants to royalties to strategic equity—aligning incentives and extending optionality throughout their growth journey.

We are deeply grateful to our speakers, partners, and attendees for making this year's summit such an engaging and forward-looking conversation. As alternative capital strategies continue to evolve, Orrick remains committed to helping life sciences and healthtech innovators access the full spectrum of financing tools—from venture and strategic partnerships to non-dilutive funding and beyond—to bring transformative technologies to patients faster.

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