

Life Sciences Snapshot

A Quarterly Report on
Financing Trends

Dispatches from J.P. Morgan Week
Q1 2026


orrick

Data provided by


PitchBook®

Key Takeaways

Life sciences VC deal activity



Source: PitchBook • Geography: US
As of December 22, 2025

US life sciences venture activity in Q4 2025 reflected a market that remains selective. While overall dealmaking continued to slow, capital deployment held up, reinforcing a multi-year shift toward concentration in fewer, higher-conviction investments. Thus, large rounds remained a defining feature of the market, with a meaningful share of total capital flowing through financings worth \$25 million or more. Overall funding levels in 2025 surpassed those of the prior two years despite declining deal counts, highlighting investors' preference for scale, durability, and clearer paths to value creation rather than broad-based risk-taking.

This selectivity favored more mature companies, particularly at the Series C and D+ stages, where clinical progress, regulatory clarity,

and proximity to commercialization reduce uncertainty. Late-stage deal values expanded accordingly, approaching levels last seen during the 2021 funding peak. Unlike broader venture markets that leaned heavily on artificial intelligence (AI) narratives, life sciences investors focused on companies solving well-defined medical problems.

Exit conditions, however, remained a clear constraint. Liquidity opportunities deteriorated further in the second half of 2025, with IPO activity muted and acquisitions accounting for the majority of exits. As a result, venture investors entered 2026 prioritizing disciplined capital allocation, longer holding periods, and companies positioned to navigate both regulatory complexity and a prolonged exit environment.

Key takeaways from this Q1 2026 Life Sciences Snapshot include:

- Selectivity over speed: Capital concentrated in fewer deals as investors emphasized conviction and durability.
- A persistent late-stage bias: More mature companies attracted the largest rounds, driven by proximity to commercialization rather than hype.
- Exits remained constrained: Weak IPO activity extended timelines to liquidity and reinforced M&A as the primary exit path.

Market Analysis

US venture capital investment in life sciences continued to reflect a long-term, post-pandemic shift toward capital concentration throughout Q4 2025. Startups raised \$8.6 billion across 377 deals in Q4 through December 22, bringing annual funding to \$32.6 billion across 1,526 deals YTD. While deal volumes have declined year over year since the 2021 peak, aggregate capital invested has increased each year since 2023. As a result, capital has not been this concentrated across a selective number of transactions since the height of dealmaking exuberance in 2021, underscoring a more selective venture environment.

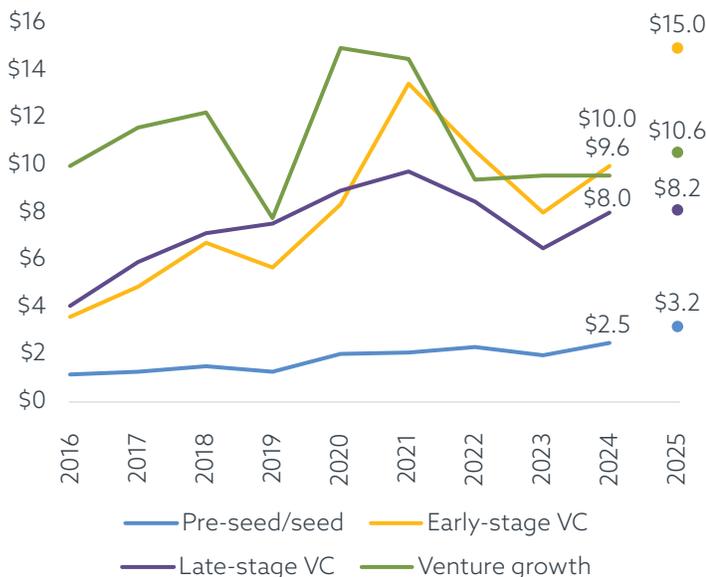
Life sciences VC deal activity by quarter



Source: PitchBook • Geography: US
As of December 22, 2025

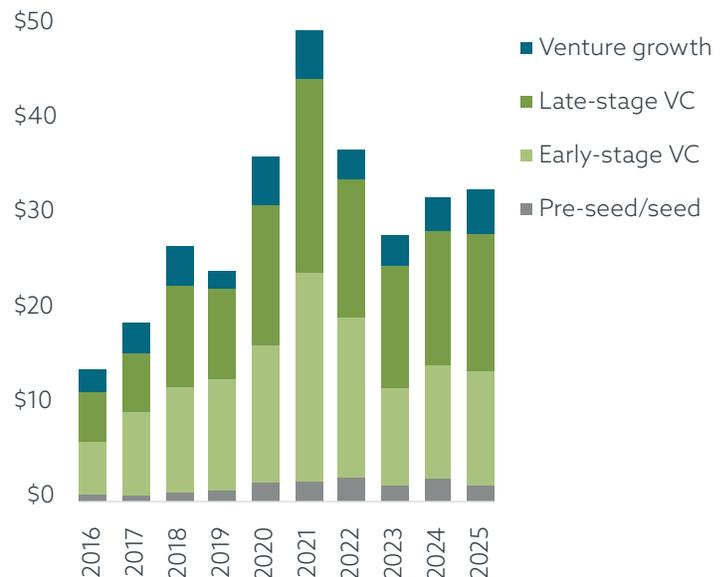
This selectivity disproportionately favored late-stage startups at the Series C and D+ stages, where

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



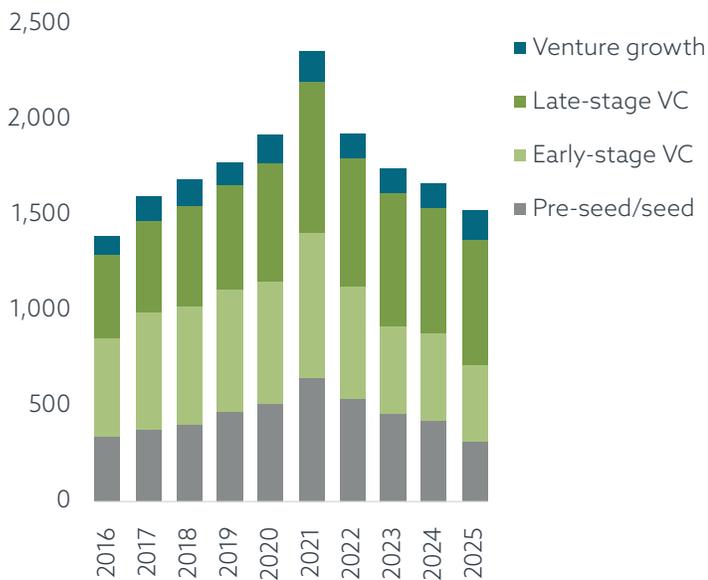
Source: PitchBook • Geography: US
As of December 22, 2025

Life sciences VC deal value (\$B) by stage



Source: PitchBook • Geography: US
As of December 22, 2025

Life sciences VC deal count by stage



Source: PitchBook • Geography: US
As of December 22, 2025

Life sciences VC deal value (\$B) by size bucket



Source: PitchBook • Geography: US
As of December 22, 2025

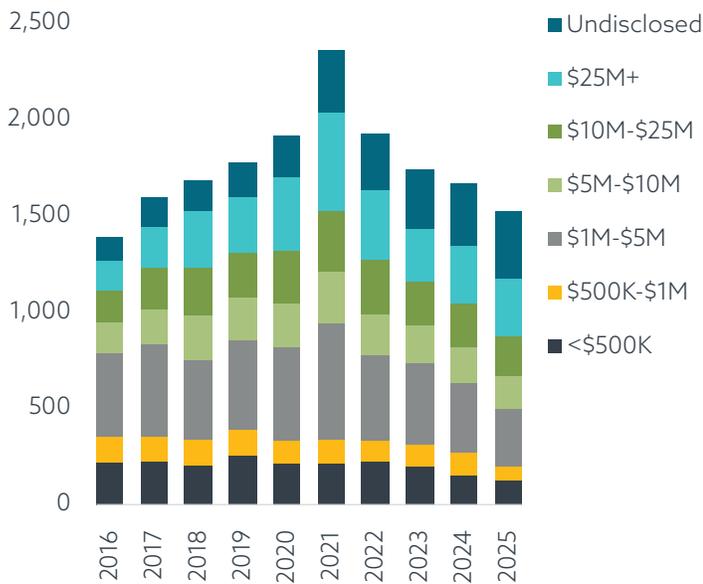
companies are closer to clinical validation, regulatory clarity, and commercialization. Median and average Series D+ deal values reached levels comparable to those of 2021, reflecting investor willingness to deploy large checks into de-risked assets rather than broadly across early experimentation. Unlike broader US VC funding trends, where AI integration has become a near-universal pitch, life sciences investors remained grounded in fundamentals, clinical differentiation, and product-market fit. Although US tech and AI companies secured the largest venture rounds overall in 2025, life sciences startups that closed late-stage megadeals largely did so without relying on AI-centric narratives. Instead, capital flowed to companies addressing tangible medical needs, including autoimmune disease therapeutics, innovations in noninvasive surgery, and the advancement of brain-computer interface (BCI) technologies.

More mature startups at these stages are inherently more capital-intensive, given rising clinical trial costs, regulatory compliance requirements, and commercial-scale manufacturing needs. Regulatory dynamics further reinforced this preference. Heightened scrutiny from the US Food and Drug Administration around trial design, real-world evidence expectations, and operational readiness, alongside evolving drug pricing pressures under Centers for Medicare & Medicaid Services initiatives, have made late-stage scale and regulatory sophistication increasingly valuable attributes. As a result, the share of deals worth \$25 million or more remained resilient relative to 2024, accounting for 20% of deal volume and 83.5% of total capital raised in 2025 YTD. Notably, 21 megadeals exceeding \$100 million closed in Q4 alone. While most recipients were late-stage companies, megadeals were not exclusive to maturity; select seed and early-stage startups also secured outsized rounds, signaling

continued investor conviction in nascent platforms with differentiated drug development or modality breakthroughs.

Despite funding resilience, exit activity deteriorated sharply. Only 85 US life sciences VC exits were completed in 2025 YTD, marking the lowest level in the past decade. Exit momentum slowed further in Q4, with just 13 exits completed, down from over 20 in prior quarters and likewise a decade low. Acquisitions remained the dominant exit pathway, while a constrained IPO window significantly limited liquidity options. Of the 85 exits, only 17 were IPOs, down from 25 in 2024 and far below the 2021 peak of 108. Market optimism around an IPO revival has largely hinged on anticipated listings from AI-centric technology companies. However, US life sciences IPO activity suggests any rebound may be uneven in 2026, even if marquee tech listings materialize, reinforcing the sector's reliance on M&A-driven liquidity in the near term.

Life sciences VC deal count by size bucket



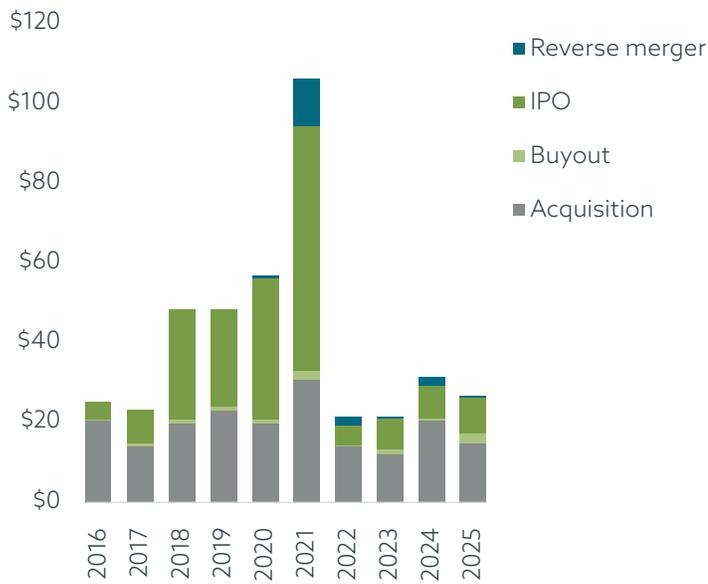
Source: PitchBook • Geography: US
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Life sciences VC exit activity



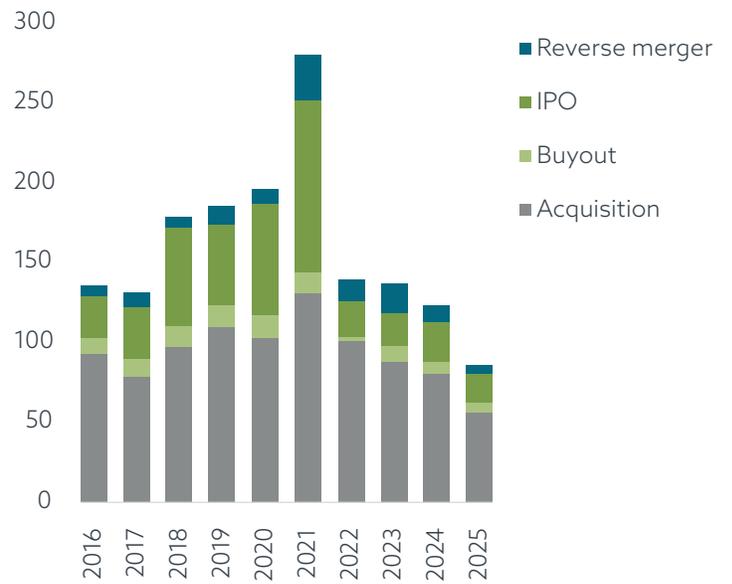
Source: PitchBook • Geography: US
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Life sciences VC exit value (\$B) by type



Source: PitchBook • Geography: US
As of December 22, 2025

Life sciences VC exit count by type



Source: PitchBook • Geography: US
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Roundtable

Dispatches from J.P. Morgan Week

“Disciplined” optimism coming out of the industry’s annual kick-off in San Francisco

On January 13th, 2026 Orrick, Stifel Bank, Cathay Innovation and NYSE hosted a joint reception during the J.P. Morgan HealthCare Conference in San Francisco. The event attracted nearly 1,000 industry players for an evening of socializing (and exhibit viewing) at the San Francisco Museum of Modern Art.

In follow-up, a principal at each co-hosting organization was selected to respond to some key questions about their takeaways from the week, including Tony Chan, Global Co-Leader of Life Sciences & HealthTech at Orrick; Denis Barrier, Co-founder & CEO of Cathay Innovation; Jackie Spencer, Managing Director, Life Science and Healthcare Venture Banking at Stifel Bank; and Eric Dimise, PhD, Director, Healthcare & Life Sciences, Capital Markets at NYSE. Below you will find insights from that conversation.

To receive regular updates from Orrick on key developments in life sciences & healthtech, and future event invitations, subscribe to the Orrick email list [here](#). If you would like to be connected with any of the people included in the roundtable below, email amcquilken@orrick.com.

What was your single most significant takeaway from the JP Morgan Healthcare Conference week this year?

Tony Chan: My most significant takeaway was that the life sciences sector appears to be shifting from recovery toward execution-centered confidence. Across public company presentations, investor discussions, and market commentary, the emphasis was on delivering measurable outcomes: advancing late-stage pipelines with clear regulatory pathways, demonstrating clinical and operational execution, and aligning capital with assets that

Panel

Contributors



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Global Co-Leader of Life Sciences & HealthTech, Orrick



Denis Barrier
Co-founder & CEO, Cathay Innovation



Jackie Spencer
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have clear inflection points and commercial or partnering paths. This shift showed up in several ways — a focus on strategic M&A and targeted collaborations, increased focus on AI and technology integration as part of operational workflows, and renewed optimism around biotech valuations, financings, and even early

signs of IPO market re-engagement after a constrained 2025. These signals collectively suggest that 2026 may be a year defined by disciplined capital deployment tied to execution milestones.

Denis Barrier: The most significant takeaway is that the industry is now adopting AI at scale across the healthcare system. We see companies moving very quickly to deploy AI, not as a series of pilots, but as core infrastructure throughout the entire value chain, from physicians to insurers, clinics, and other stakeholders. With AI moving into “production mode”, the pace of adoption will continue to accelerate and 2026 is likely to mark a turning point in the AI-driven transformation of healthcare. This shift will create tangible benefits for patients, taxpayers, clinicians, and all participants across the ecosystem.

Jackie Spencer: AI is a fundamental utility for research and development, clinical operations, and patient care. Deals/Partnerships like Nvidia and Lilly’s joint innovation lab and Hippocratic’s acquisition of Grove AI evidence the importance of leveraging AI to remain competitive.

Eric Dimise: The general sense of optimism was the major throughline for me — and, I suspect, for others as well. Having digested the “journey” that was 2025 and the optimism at JPM 2025 that ultimately gave way to macroeconomic headwinds and periods of outsized market volatility, the JPM 2026 optimism feels more grounded in reality. There seems to be a broad understanding that—pending events outside the control of the life sciences space—we are well positioned for a strong year in the capital markets. I think this was broadly understood last year, but it was voiced far more frequently and stated more explicitly this year. From my perspective, the optimism points to a more active IPO environment and the potential to finally address the backlog we’ve all been discussing for so long. Tailwinds heading into JPM included the uptick in M&A, a very robust, record setting period of follow-ons, and an XBI that, by year end, outperformed the broader market (who would have guessed that in spring 2025!?)—all typical harbingers of a strong forthcoming IPO market.

What was the most interesting or surprising conversation you had during the week that shaped how you’re thinking about the year ahead?

Tony Chan: One conversation that shifted my thinking was with a senior BD leader at a pharma who described their 2026 mandate as pipeline urgency with valuation discipline. They expect more partnering and tuck-in M&A, but underwriting is sharper—particularly around (i) whether the data package will withstand tighter diligence reviews, (ii) whether CMC and scale-up risk is understood early, and (iii) whether the company can compress time-to-inflection at appropriate burn levels. They linked deal appetite to the patent cliff timeline—not as an abstract talking point, but as a near-term driver shaping what gets bought, partnered, or financed in 2026. That perspective crystallized for me how capital and strategic interest will be allocated this year: focused on precision in both biology and business execution.

Denis Barrier: Some of the most striking conversations focused on the speed at which AI coding is evolving. What began ramping up two years ago has now become acceptable in many use cases, although it still requires human supervision. There is a growing belief that within less than two years, AI could operate independently and very efficiently, potentially replacing even top-level coding roles. More broadly, founders are now talking about AI as autonomous systems that can reason, generate, test, and learn continuously from real-world outcomes. In healthcare and life sciences, that means AI acting as an orchestrator of scientific and operational processes – from closed-loop lab experimentation to clinical trial design and regulatory documentation. If this materializes, it would significantly accelerate the software and AI revolution across industries, including healthcare, provided that systems are made highly robust and error-proof.

Eric Dimise: Interesting question. I would say it was more of a recurring theme than a single conversation. With an eye toward the 2026 public markets outlook for life science companies, a two-part pattern emerged. First—and most obvious—was the widespread hope and optimism that life science IPOs will be back. The second part was a mix of hope and concern that only high-quality companies will access the public markets: hope that this remains true, and underlying worry that we might drift back toward the peak COVID era “free for all.” People are not yet, psychologically, over the post COVID correction or the dynamics that drove the COVID era IPO surge. It was an interesting window into the current psychology of our ecosystem.

What theme, data point, or shift discussed during JPM week do you think will most materially shape capital flows and outcomes in 2026?

Tony Chan: One of the more interesting themes coming out of JPM Week 2026 was the increasing activity in AI/TechBio. I had the pleasure of attending Recursion’s TechBio Talks Live event featuring Reid Hoffman, Renee Gala, Eric Lefkofsky, and Eric Topol in a discussion moderated by Katie Couric reviewing how investors and companies are trying separate AI hype from clinical and patient-centric impact, and identifying where capital should actually be deployed to drive measurable outcomes in drug discovery and development. The practical upshot of this shift is that capital is becoming more discriminating across this landscape—favoring platforms and companies that demonstrate not just algorithmic novelty but integration of AI with deep biological data, scalable experimental systems, and translational pathways leading to differentiated clinical results. Investors are moving away from broad AI platform narratives toward capital allocation tied to execution milestones, such as validated dataset integration, early clinical proof of concept, and tangible improvements in trial design and patient outcomes. That shift is likely

to further shift funding in 2026 into companies that can credibly show AI-enabled biology translating into real pipeline acceleration and de-risked development pathways, reshaping both public and private financing dynamics.

Denis Barrier: Capital will increasingly flow toward platforms that move beyond fragmented point solutions and instead unify complexity at scale. This includes AI systems capable of integrating biological data across modalities, industrializing real-world evidence, and supporting continuous learning from patient outcomes. In life sciences, both investors and buyers are paying close attention to the shift from predictive models to AI-native invention, particularly in drug discovery and development. At the same time, strategic questions around build versus buy are becoming more prominent, with winners likely to be those that combine strong internal capabilities with best-in-class external platforms. Overall, capital will favor production-ready infrastructure with clear ROI, regulatory-grade outputs, and defensible, scalable economics.

Jackie Spencer: Despite a quiet M&A announcement week, consensus is that M&A is alive and well. Pharma, Payers and Providers are actively pursuing strategic acquisitions to bolster their pipeline/platform. Patent cliffs, rapid adoption of AI across R&D and care delivery, and advancements in the underlying science are all promoting the desire to acquire. Optimism around M&A will have the single largest impact to capital flows in 2026, driving traditional healthcare investors and retail investors alike to both private and public opportunities.

Eric Dimise: The very rapidly evolving discussion around the biotech landscape in China stands out. In just the past year, the conversation has shifted dramatically toward China as innovator, positioning itself as a strong and nimble competitor to the US, particularly in areas such as new modalities and trial execution. The biotech conversation can no longer be had within a vacuum of a US-only innovation engine. I'll be watching

closely how this evolves, as it has meaningful implications for pharma partnerships, M&A, and cross border capital flows from US investors to China-based biotechs.

“Optimism” came up frequently in conversations during JPM week — do you share that optimism about the life sciences market in 2026?

Tony Chan: Yes—I share the optimism, with a qualifier: it's disciplined optimism, not a return to 2020–2021 behavior. The post-JPM commentary consistently framed 2026 as a year of improving conditions—more financing activity, more partnering, and growing confidence in dealmaking—while also emphasizing continued selectivity and valuation discipline. In other words, I'm optimistic about 2026 for companies that can show real clinical or commercial proof, capital stewardship, and credible execution; I am also encouraged by the potential of AI/TechBio to drive more efficient and data-driven drug development, as well as by China's continued emergence as a durable source of innovation and BD activity, both of which could meaningfully shape the year ahead.

Denis Barrier: Yes. First, because healthcare systems are now adopting AI at a rapid pace, accelerating processes, reducing errors, and improving efficiency across clinical and operational workflows. Second, for drug development and other areas requiring significant computing power, this trend should translate into faster cycles and more efficient, ambitious innovation. In addition, the robotics wave will be especially impactful as healthcare faces growing pressure on its workforce. These technologies can meaningfully support professionals in their daily work and improve care delivery. Finally, given structural workforce shortages and the significant improvements these technologies can bring to quality of life, there is likely to be strong social and institutional acceptance of these outcomes. This alignment between technology, economics, and societal needs underpins the optimism for sustainable growth through 2026 and beyond.

Jackie Spencer: Several big pharmaceutical companies, like Astellas and Novartis, addressed the \$300B patent cliff looming over the next few years. It is clear there is interest to make strategic investments to bolster pipeline, not necessarily exclusively with outright acquisitions, but entering risk-sharing arrangements that allow pharmas to transact more without overextending the balance. This will bring necessary capital to the VC and early-stage ecosystem driving more innovation in 2026.

Eric Dimise: Returning to the first question—the chatter of optimism struck me as the overarching theme of JPM week 2026. As an “IPO guy,” I do share this sentiment. My view from JPM 2025 still stands: there is a sizeable cohort of life science companies eager to access the public markets; that certainly hasn't changed. For myriad reasons we don't need to revisit, most of them did not make that attempt in 2025. The reservoir has filled, and exits are needed to keep the machinery that powers the life sciences capital markets running. I fully agree with the sentiment that has been discussed and written about (and stated by myself!) throughout the quieter periods of 2025: the public markets should be prepared to welcome high quality life science companies—those with stand-out science, compelling clinical data, and a trajectory that clearly paves the way to late stage or pivotal readouts and NDAs/BLAs. These companies will also have mapped out multiple data checkpoints and other value generating events between IPO and potential approval, avoiding “data deserts” and giving investors opportunities to evaluate progress. The phrase “quality filter” has become part of the biotech lexicon when discussing the life science IPO market—a sort of anti-COVID era backstop—and I very much agree with that sentiment. So, am I optimistic? Yes. But it's an optimism built on a foundation of all these details and on the learned lessons of 2025.

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