

Life Sciences Snapshot

A Quarterly Report on
Financing Trends

Dispatches from the Cain Brothers
MedTech, Life Sciences and Pharma
Services CEO Conference
Q2 2026

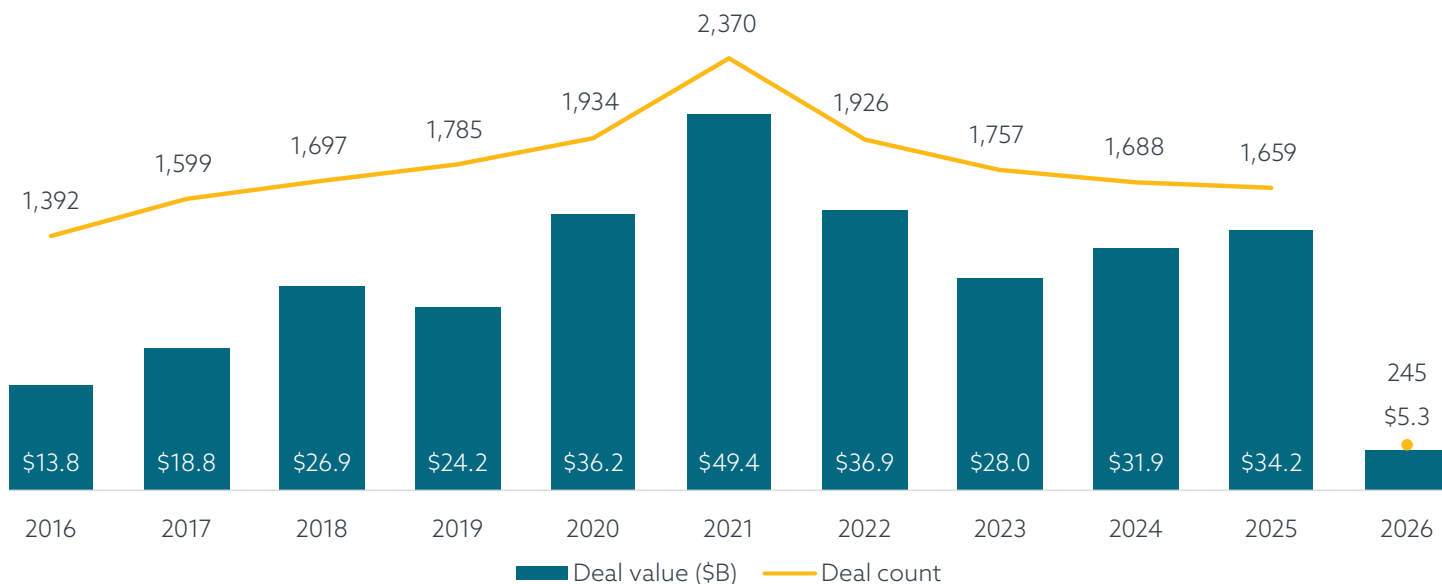

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Key Takeaways

Life sciences VC deal activity



Source: PitchBook • Geography: US • As of March 12, 2026

US life sciences deal activity was relatively muted in the first quarter of 2026. The regulatory environment created various tailwinds and headwinds, and dealmakers ultimately erred on the side of caution, resulting in one of the slowest quarters of dealmaking in the past five years. Despite such uncertainties, the most nascent life sciences startups remained resilient. Late-stage funding has continued to dominate life sciences dealmaking, but pre-seed/seed and early-stage companies have increased their share of VC deal volume to nearly 50% YTD.

A closer examination of 2026's defining deals and startups explains

why pockets of resilience exist despite broadly sluggish quarterly dealmaking activity. New company-formation structures have enabled Chinese pharmaceutical companies to access US capital, and artificial intelligence (AI) technologies are enabling a new wave of AI-native life sciences startup growth and innovation.

US life sciences exit activity in Q1 2026 broadly mirrored dealmaking's lackluster performance. However, IPOs may be back. Should regulatory clarity and post-AI market stability coincide with life sciences investors' exit timelines, then 2026 public listing figures will easily exceed the prior year's exit volumes.

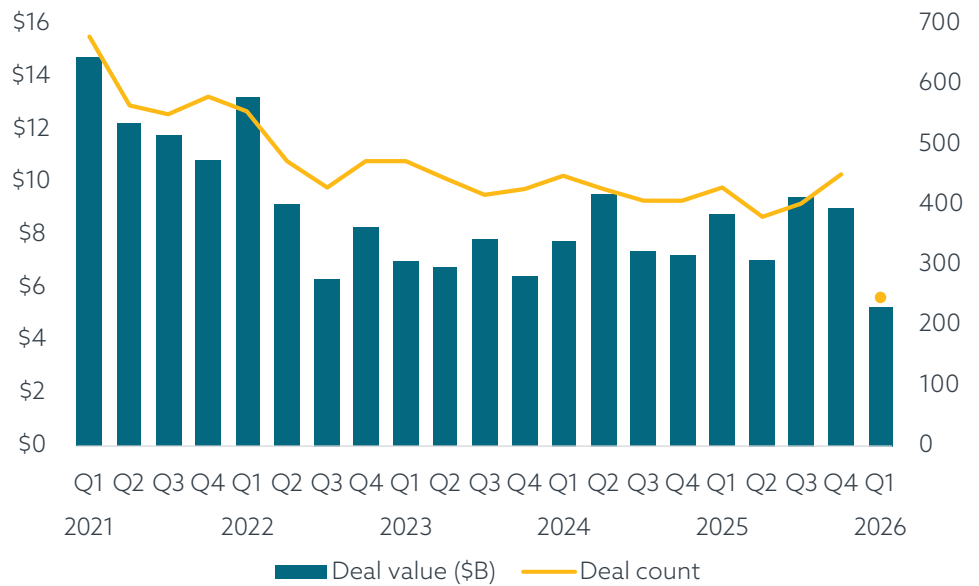
Key takeaways from this Q2 2026 Life Sciences Snapshot include:

- Regulatory uncertainty slowed dealmaking, but early-stage life sciences startups remained resilient.
- AI and cross-border innovation are shaping new growth opportunities, with AI-enabled healthcare platforms and Chinese biotech NewCo structures expanding the pipeline of emerging life sciences companies.
- Exit activity remains subdued, but IPO momentum is improving, suggesting public listings could rebound in 2026.

Market Analysis

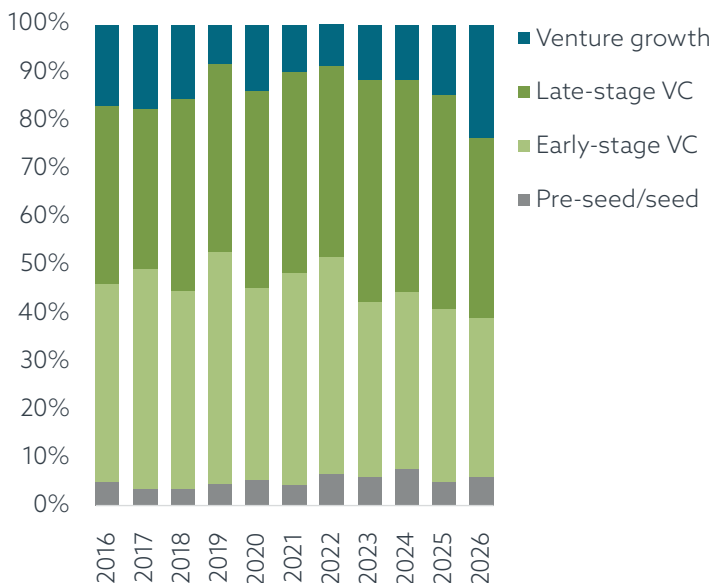
US life sciences VC dealmaking kicked off 2026 with little fanfare. Startups have raised \$5.3 billion across 245 deals YTD, making for one of the slowest quarters of dealmaking activity since the pandemic. This is unsurprising given the dynamic regulatory environment that has shaped life sciences investor sentiments around the drug development category, which is positioned to face both tailwinds and headwinds. The Centers for Medicare & Medicaid Services' newfound powers on drug price negotiations,¹ the US Food and Drug Administration's (FDA's) efforts to reform drug approval processes for ultrarare diseases,² and increased scrutiny of non-FDA-approved GLP-1 drugs are

Life sciences VC deal activity by quarter



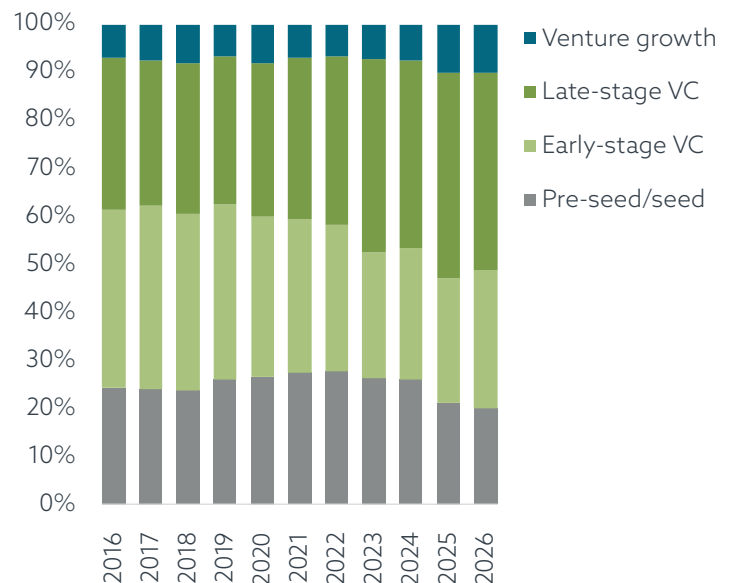
Source: PitchBook • Geography: US • As of March 12, 2026

Share of life sciences VC deal value by stage



Source: PitchBook • Geography: US • As of March 12, 2026

Share of life sciences VC deal count by stage

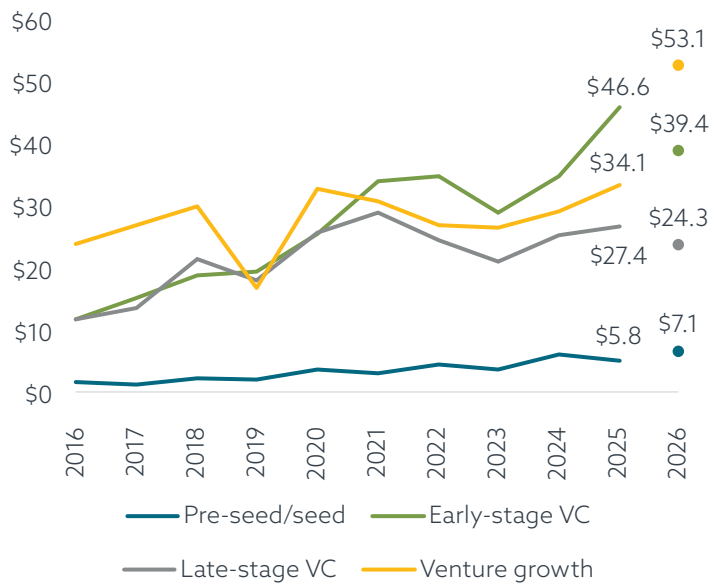


Source: PitchBook • Geography: US • As of March 12, 2026

1: "Negotiated Prices Take Effect for Ten Drugs in 2026," Medicare Rights Center, Julie Carter, October 9, 2025.

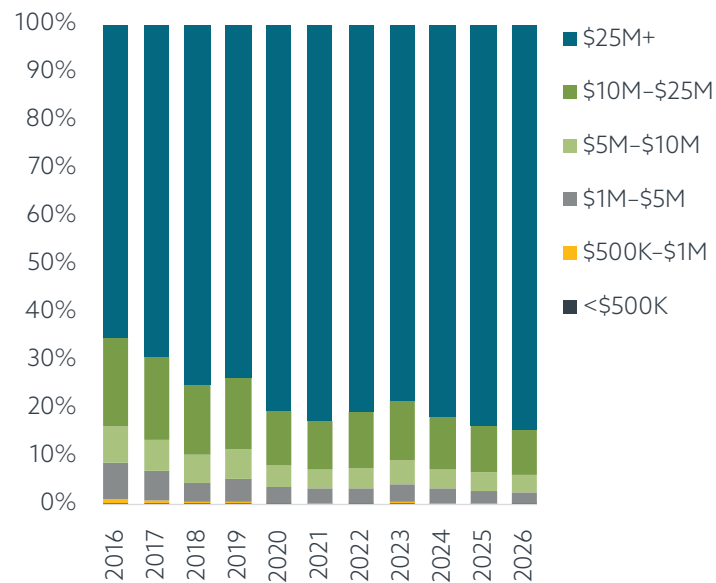
2: "FDA Launches Framework for Accelerating Development of Individualized Therapies for Ultra-Rare Diseases," US Food and Drug Administration, February 23, 2026.

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



Source: PitchBook • Geography: US • As of March 12, 2026

Share of life sciences VC deal value by size bucket



Source: PitchBook • Geography: US • As of March 12, 2026

just a handful of material regulatory changes shaping the outlook for drug development.³ Q1 2026 was defined by these government efforts to enhance drug affordability and remove administrative barriers. This has generated broad uncertainty, and, consequently, dealmaking will likely be scaled back until greater regulatory clarity is provided.

Such uncertainties in the regulatory environment would conventionally draw life sciences investors into more conservative bets, like late-stage companies with strong clinical data. While 61% of capital invested YTD has flowed into later stages, pre-seed/seed and early-stage funding activity has shown resilience. Life sciences startups in these early stages, which are beginning clinical trials or in the process of developing a commercially viable technology, have still represented 49% of all US life sciences

VC deal volume YTD, up from 47.2% for full-year 2025.

Early-stage companies have seen faster valuation growth than their late-stage counterparts. Revelyx Bio's \$10 million Series A illustrates this trend: The company achieved a 55.2x valuation step-up from its seed round and reached a nearly \$100 million valuation within a year of its founding.

Yet the startup's growth reflects more than the structural advantages of early-stage companies. Revelyx Bio also highlights the opportunities emerging from Chinese-developed biotechnologies despite ongoing US-China geopolitical tensions. The startup was formed using the Chinese biotech NewCo model: a cross-border structure in which a Chinese pharmaceutical company spins off intellectual property to an entity incorporated and managed overseas.⁴

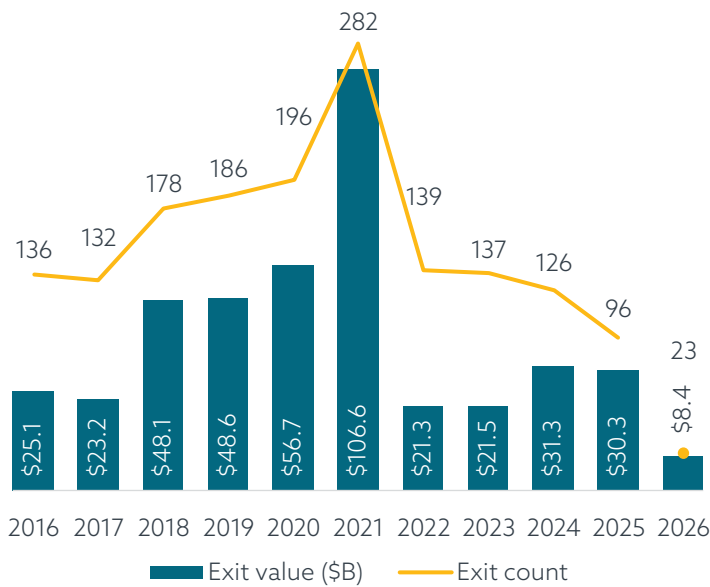
Popularized in late 2024, this model allows Chinese drug developers to access international capital and pursue listings on US exchanges. While attractive to investors, such structures may face scrutiny under the Committee on Foreign Investment in the United States. Still, Revelyx Bio's exclusive licensing rights to an emerging antiaging therapy—a recombinant botulinum toxin liquid formulation—position the company competitively as longevity technologies gain traction.

Amid scaled-back dealmaking, several of the largest US life sciences deals closed YTD highlight a growing opportunity set driven by AI. OpenEvidence, developer of an AI-powered medical software designed to help healthcare professionals improve patient care, raised a \$250 million Series D that valued the company at \$12 billion. The startup

3: "FDA Intends to Take Action Against Non-FDA-Approved GLP-1 Drugs," US Food and Drug Administration, Martin A. Makary, February 6, 2026.

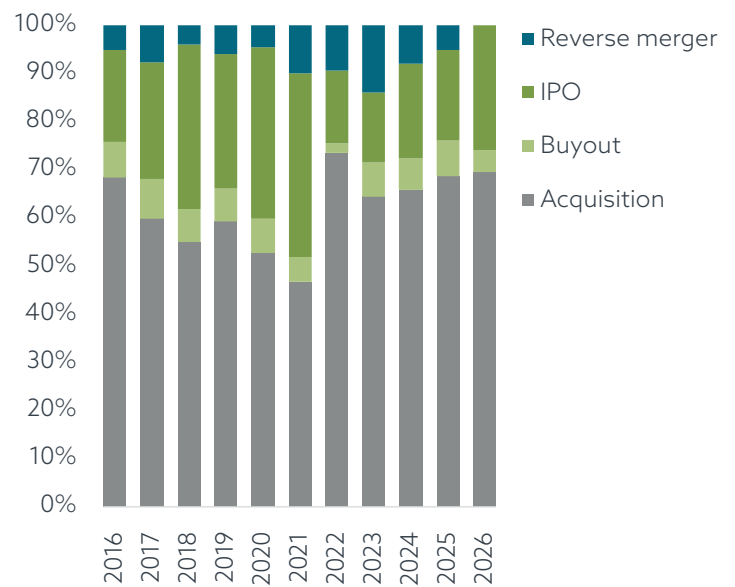
4: "Structuring Cross Border China Biotech 'NewCo' Transactions," Life Science Leader, Stephen Thau and Jeff Zhang, June 18, 2025.

Life sciences VC exit activity



Source: PitchBook • Geography: US • As of March 12, 2026

Share of life sciences VC exit count by type

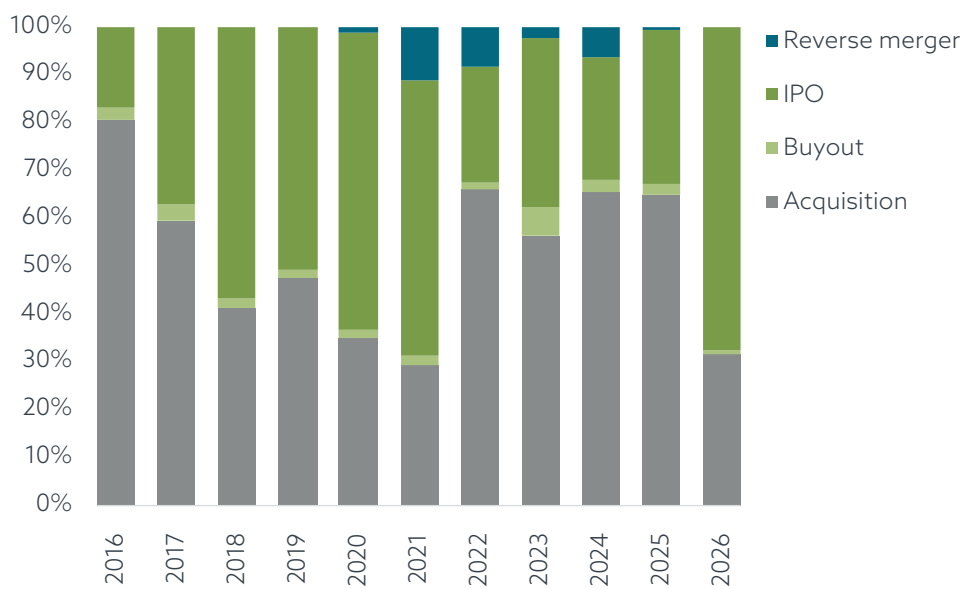


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has nearly quadrupled its valuation in just six months, underscoring demand for AI-driven data analysis and efficiency in healthcare. Similarly, Converge Bio’s AI-powered drug discovery platform has attracted strong investor interest; the company reached a \$90 million valuation in January, up from \$18.5 million just over a year ago. Meanwhile, Brainify, AI represents a more targeted application of AI in neural precision medicine. It raised a \$1.5 million round to analyze multimodal brain data and improve how brain disorders are measured and managed.

US life sciences VC exit activity has largely tracked dealmaking trends, remaining muted YTD with just 23 exits. Acquisitions continue to dominate, accounting for 16 of these outcomes. Public listings, however, are showing signs of recovery: 2026’s total of six IPOs has already surpassed 2025’s early-year pace and generated \$5.7 billion, more than half of the year’s total exit value. If regulatory clarity improves and public listings

Share of life sciences VC exit value by type



Source: PitchBook • Geography: US • As of March 12, 2026

recover more broadly across sectors, the number of US life sciences IPOs in 2026 could exceed 2025’s total of 18. The key question is whether public market investors will view IPOs consistently across sectors. Companies seen as vulnerable in an AI-driven landscape have faced

sell-offs, while AI enablers have been rewarded. Life sciences firms generally occupy a more defensible position, but the emergence of AI-native life sciences companies could create high-growth opportunities for early-stage investors while producing more mixed public market exit outcomes.

Roundtable

Dispatches from the Cain Brothers MedTech, Life Sciences and Pharma Services CEO Conference

Preparing for an Exit

On April 9th, 2026 Orrick hosted a panel on “Preparing for an Exit” at the Cain Brothers MedTech, Life Sciences and Pharma Services CEO Conference in Aspen, Colorado. The annual event included dozens of growth-stage company executives and investors who engaged in several days of discussion and networking at the Little Nell Hotel.

In follow-up, each panelist and a leader from Cain Brothers, a division of KeyBanc Capital Markets, were asked to respond to some key questions regarding their takeaways from the panel discussion. The panel was moderated by Tony Chan, Global Co-Chair of Orrick’s Life Sciences & HealthTech Practice, and included as panelists Albert Vanderlaan, a capital markets partner at Orrick; Cara Reymann, CEO of First Fertility, Adam Gridley, CEO of Allay Therapeutics, and John Gorski, Vice-Chair of NAMSA. Below you will find insights from that conversation, and from Sean Trail, Director of Healthcare Investment Banking at Cain Brothers.







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 amcquillen@orrick.com.

Preparing for an exit doesn’t start when you are ready to prepare the CIM or S-1; it really starts much earlier - when should a company start to prepare? How do you know when it’s time to exit?

Albert Vanderlaan: Preparation should be from Day 1! More realistically, a company should try to keep up with good corporate hygiene

Panel

Contributors

 <p>Albert Vanderlaan Capital Markets Partner, Orrick</p>	 <p>Cara Reymann CEO, First Fertility</p>	 <p>Adam Gridley CEO, Allay Therapeutics</p>
 <p>John Gorski Vice-Chair, NAMSA</p>	 <p>Sean Trail Director, Healthcare Investment Banking at Cain Brothers, a division of KeyBanc Capital Markets</p>	 <p>Facilitator Tony Chan Global Co-Leader of Life Sciences & HealthTech, Orrick</p>

after its first real financing – keeping a data room up-to-date is no longer as expensive as it used to be and staying organized will be easier if there is a muscle memory to save documents in a central repository. Knowing when it’s time to exit is more complicated. The company’s objectives should

drive the exit strategy, including how the founders / management want to “exit” – do they want to sell and move on to the next thing, sell into a larger organization for the benefits that avenue brings or build into a public company that will carry the business in a different market.

Cara Reymann: At the time I joined First Fertility, the company was already contemplating its exit timeline, so I had to consider that strategy in how I ran the business from day one. My goal has been to instill early discipline in order to be transaction-ready when the time comes. From a governance and operational standpoint, that meant growing the business, maintaining clean financials, building a management team that could operate effectively, and ensuring our clinical and business metrics were tracked rigorously. In healthcare services, in particular, payor mix, physician productivity, and unit economics are scrutinized at a very granular level, so knowing and demonstrating our operational strength in those areas is critical.

As for knowing when it's time to consider an exit, we see a few things converging in the fertility sector. As a stable service with growing demand, fertility has continued to attract significant strategic and private equity interest. That "day one" mindset helped us build the scale necessary to be competitive and drive long-term value. Over recent years, we expanded our footprint, invested in technology, and recruited top-tier physicians to support both growth and succession planning. With market and business dynamics aligned, the timing is looking good to consider pursuing the next chapter for First Fertility.

Adam Gridley: Preparation starts early by developing relationships with bankers, strategic parties, capital markets and the sell-side analysts. Developing those relationships allows for informal market feedback on whether the company has the clinical milestones, revenue growth or upcoming market launches to not only go public, but to then be a successful public company that executes quarter to quarter.

Experienced management teams can complete the process from initially selecting bankers through SEC review and an IPO in less than 6 months, however. Similarly, as one considers strategic exits as an alternative, potential buyers who have built relationships with the management team and followed the company progress are able to move quickly in a competitive process.

John Gorski: We engaged in a variety of best practices while we were operating the business long before any inkling of an exit arose. For example, we had a majority outside board of directors, a written strategic plan with annual business plan objectives and budget, and we held annual family meetings outside of the business so family relationships were developed and included outside advisors where appropriate. We transitioned from reviews to audits with our CPA firm after we reached a key threshold; and ran the business like a business, for example keeping family expenses separate from the business (which helped with fewer adjustments to ebitda when it came time for a transaction).

In terms of exit, the risk/reward proposition was changing in our space. For example, we needed growth capital to achieve the next level, and the family preferred a much lower debt threshold than financial investors did. There was consolidation in our space and thus scarcity of assets drove multiples up. The next generation of family (Generation 3) was in the business but more individual contributors and/or 20 years away from succession. We had a cyber event and a regulatory matter that triggered resolution and remediation; and we were expanding internationally and through M&A which triggered more complexity. Finally, once the decision to recap was made, we hired an investment bank,

hired a family tax advisor (separate from the business), and hired transaction counsel.

Sean Trail: Preparing for an exit typically begins far earlier than most companies expect or even realize, and often accompanies the natural progression or growth of a business. In looking back on the businesses we have worked with, the most seamless and successful transactions often involved companies that were constantly thinking through what investors want and how to best build these characteristics – generally several years ahead of actually planning for a sale. This involves constant reflection on the quality and depth of the management team, being agile and reactive to shifting market dynamics and needs, and developing a defensible long-term growth narrative, among many other attributes.

From a financial sponsor perspective, planning for an exit begins the moment they invest in a company. As a part of their investment and early strategic planning, they actively map out the investments needed to achieve the 'right' growth, the likely buyers for the business after their hold-period, and the key considerations that will make the business most attractive to these buyers.

You know it may be time to consider an exit when the company reaches a strategic inflection point—whether that's needing additional capital to support grow, facing increased competitive or regulatory complexity, or when founders and investors begin thinking seriously about liquidity and risk diversification. Importantly, preparing does not mean committing to sell, it means creating flexibility and optionality so the company can act from a position of strength when the right opportunity presents itself.

What is a dual-track process? How is preparation different for M&A vs. IPO and how much more difficult is a dual process than one or the other?

Adam Gridley: Many companies will run a dual-track process as they consider going public or M&A as an alternative exit pathway, and will run in parallel the full IPO preparation along with outreach to potential strategic parties. Much of the preparation, due diligence, and filing requirements for going public is also valuable and relevant for strategic parties. We've found that an effective dual track process can maximize both price discovery for an IPO and provide competitive tension to strategic parties with the threat of having to pay more for a company once public. As companies start their test the water meetings prior to formally filing to go public, they can often start their outreach in parallel with their banking teams to assess both investor and strategic interest during those months. We've found that while there may be strategic interest, successful companies are preparing to complete the final roadshow and pricing of an IPO right until the last minute.

John Gorski: We never considered a dual process for the 1st transaction but have for the 2nd. It's not a likely scenario for us but will revisit it at the right time and place.

How do you set yourself up for success in both the process/sale and post-closing, in the case of a sale to a PE or strategic or an IPO? What are the major considerations to have in mind? How do you make sure you have the right partner (whether that be a buyer, investor or investment banker)?

Albert Vanderlaan: The most important aspect of any transaction is making sure you fully evaluate and trust the partner you're choosing to go with. For any exit, that partner will

be part of your story, whether it be the near term, medium term or long term, your names will be side by side.

Cara Reymann: Setting yourself up for success in a transaction requires doing the hard work of internal alignment before you ever engage a potential partner. In fertility specifically, the stakes are uniquely high. You are not simply selling a business; you are entrusting someone with a clinical enterprise where patients are making some of the most emotionally and financially significant decisions of their lives. That reality has to shape how you evaluate every prospective partner.

While we have not yet completed a transaction, we have given considerable thought to the criteria that will guide that evaluation. At the top of the list is a genuine capital commitment to growth — we want to understand a partner's capacity and vision for supporting new clinic buildouts, lab infrastructure, and technology investment over the long term. Equally important is a deep appreciation for the relationship between clinical quality and business outcomes. In this space, access, patient experience, and clinical results are not soft considerations, they are the foundation of the value proposition. Finally, we will be looking closely at a partner's payor and market relationships, as navigating an evolving insurance coverage landscape is increasingly central to growth, and their regulatory and compliance sophistication, given the complexity of operating in a highly scrutinized clinical environment.

Adam Gridley: Understanding the buyer's motivations are critical, whether it is an acquisition to grow into new areas, or where clear cost savings and synergies must be realized, allows the seller to assess who may be the best fit. These

motivations also drive decisions on human capital, stock option plans or retention plans. Good bankers and financial advisors are key to helping to understand past buyer criteria and post-integration practices. For companies that ultimately pursue the IPO track, banker selection must consider both the investment banking teams and their relationships with other bankers and strategics, and just as important the capital markets teams and then the sell-side analyst reputations. The latter two parties are most critical to a successful IPO with appropriate price setting and filling the IPO book, and subsequently the after-market trading and quarterly cadence with wall street. Lastly, well-run data rooms and diligence processes can drive significant value — organized, responsive and anticipatory materials allow parties to move quickly as competitive tension arises and timelines compress.

John Gorski: In my case, I came up with 7 criteria for a buyer, regardless if they were strategic or financial, and vetted it with the family shareholders and the Board to assure alignment. We used these criteria when evaluating investors - e.g., do you have fund(s) available for additional Cap-Ex or M&A to support the growth strategy; do you have relationships with C suite execs at medium-large clients to help make further introductions; how can we protect our culture, quality and service for clients to maintain/improve our reputation; will you allow family representation on the Board? We wanted to make sure that not only shareholders, but the management team and buyer/investor(s) were all happy downstream.

How do you deal with any known potential concerns that a buyer or analysts may have about the business and mitigate that?

Albert Vanderlaan: Buyers and analysts expect there to be issues with any business – the surprise would be if there weren't any (which means they're hiding or not yet apparent). Being transparent about challenges and discussing how the business mitigates risk around those challenges will give the other side confidence that management has thoroughly thought through and understands how to handle all aspects of the business.

Cara Reymann: Every business has vulnerabilities, and sophisticated buyers will find them. Our focus is on developing a fact-based narrative around each one and presenting it proactively rather than defensively. In fertility, a prominent investor concern right now is the political and regulatory environment. The Dobbs decision and the embryo personhood debate have generated significant headlines, and some investors have avoided the sector because of it. Our approach grounds every conversation in data, because the underlying fundamentals are largely moving in the opposite direction of the headlines. That data includes that employer coverage is expanding and state mandates are creating new access, broadening the commercially insured patient population at an accelerating pace. Additionally, utilization of fertility services is fundamentally a function of delayed childbearing, rising infertility rates, and increasing same-sex family formation, which are demographic trends that are durable and independent of the political environment.

Adam Gridley: Address those challenges and concerns head on – by acknowledging key business risks and plans to mitigate those, even if not all in place at that time, build credibility with buyers and wall street. Macro environment to sector specific challenges that come up repeatedly can often be turned into an advantage for those management teams that embrace and communicate their strategies to overcome those issues.

John Gorski: In our case, we had a couple of potential issues arise. We chose to be up front and put general comments in the CIM, and as the buyer universe narrowed, we felt full transparency was the best approach and included the full CAPA documentation in the data room. Buyers took a deep dive into both topics but ultimately appreciated the full disclosure and complimented us on our thoroughness.

Sean Trail: Every company has areas of risk, and investors will inevitably identify them. The key is to address those issues proactively rather than defensively. From an investment banker's perspective, the most successful processes are those where management acknowledges known concerns early, provides data-driven context, and presents a credible plan to mitigate or resolve them. Attempting to minimize or obscure risks often erodes trust and can hurt outcomes. Transparency builds credibility, and when risks are framed as understood, manageable and improving, they are far less likely to derail valuation or deal certainty. Controlling the narrative on these issues is critical and leads to a much better outcome for Companies.

How important is estate and tax planning ahead of a sale?

Sean Trail: Estate and tax planning are critically important and often underemphasized. You can never start thinking through and planning for these issues too early. Once a deal is signed, most planning opportunities are gone – and often, waiting until a process is launching can even be too late to achieve the most attractive benefits. Engaging tax and estate advisors well in advance of a potential transaction can enhance outcomes and provide flexibility around wealth transfer, philanthropy and long-term financial goals.

John Gorski: Starting earlier is better than starting later, especially with estate planning. We did not anticipate selling a company that had been owned by the same family for over 50 years, but the more on the list you can complete in advance the fewer swim lanes you have going through a process. And finally, securing the management teams' employment terms (titles, comp, long term incentive, noncompetes if applicable) before a transaction rather than after will protect them, especially if there is a change in CEO in addition to a change in control.

Are there any "exit" trends you're seeing in the life sciences & healthcare sectors you are either concerned or excited about?

Albert Vanderlaan: The IPO market remains challenging for most companies and gone are the days of pre-clinical and early clinical companies being able to access the IPO market, even in the "popular" therapeutic areas. However, there are a number of life science and therapeutic-focused SPACs which are entering the market to fill a void in that segment of the markets,

along with a growing resurgence of traditional reverse merger activity which has long been an alternative avenue for earlier stage life sciences companies to enter the public markets. We are hearing many investors who are willing to deploy capital into PIPE transactions instead of traditional early stage VC rounds to mitigate some of the risk with an earlier path to liquidity.

Cara Reymann: The overarching theme I keep coming back to is that fertility is a high-growth, deeply mission-driven sector with strong demographic tailwinds and an expanding coverage landscape. The structural drivers are durable: delayed childbearing, rising infertility rates, increasing same-sex family formation, and a rapidly evolving employer benefits landscape are all pushing in the same direction. These are not cyclical trends that reverse with a change in administration or a shift in market sentiment.

What genuinely excites me is the role that AI and clinical technology are beginning to play as both accelerators and differentiators. From embryo selection algorithms to predictive analytics around treatment protocols, technology is starting to move the needle on clinical outcomes in meaningful ways and sophisticated buyers are beginning to price that capability into valuations.

On the concerning side, valuation compression is something we are watching carefully. The multiple expansion that characterized healthcare services transactions in 2020 and 2021 has corrected meaningfully, and the gap between seller expectations and buyer reality remains a genuine friction point in getting deals done. That said, I want to be clear-eyed rather than

pessimistic. The concerns are real but manageable for a well-run platform. For those willing to engage the opportunity thoughtfully — understanding both the complexity and the promise of this sector — the upside remains significant.

John Gorski: So we've done 10 deals in the past 4+ years - all were acquisitions but we have evaluated some partnerships and mergers as alternatives (and continue to do so). Sellers (or at least founders) typically think their brands and cultures are unique and part of the secret sauce (and sometimes they are), and that the business is more valuable based on future growth. Private equity on the other hand wants to negotiate best deal possible which can be at cross-purposes with founders and irk them if they want to retrade between LOI and APA. A delicate balance is needed for a transaction to proceed to closing.

Due diligence has become more onerous to avoid downstream surprises, but relationship development at all levels of a target is important as well since we'll be working with them post-transaction.

Sean Trail: Within the life sciences market, we're seeing a clear focus on quality, differentiation and protected market positions. Strategic acquirers remain active as they look to fill gaps and drive innovation, while private equity remains focused on assets with strong barriers to entry, predictable performance, and scalability. At the same time, investment scrutiny has increased, both from strategic and financial buyers. While the bar is higher, well-prepared companies that invest early in readiness and storytelling are still achieving strong exit outcomes in this environment.

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