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Report Preview

Healthcare Investments and Exits

Mid-Year Report 2025

Biopharma | Healthtech | Dx/Tools | Device

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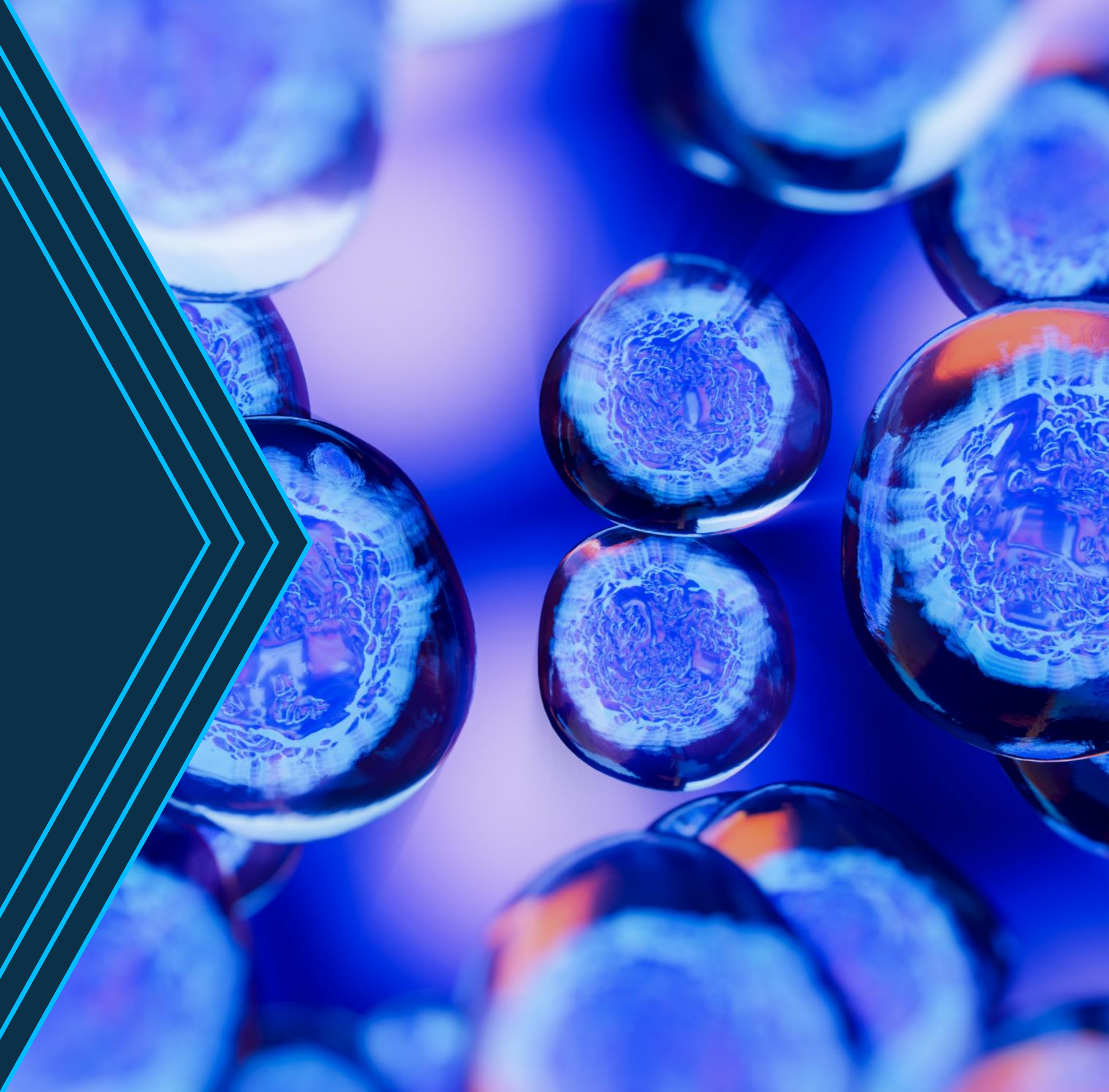

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Everything Everywhere All at Once

> “A revenue cycle platform that can process as many appeals in an hour as manual reviewers can in a week, or that reduces denials by 10%, might not make for punchy headlines, but it could be the difference between a hospital staying open or closing. The areas getting the most value from AI have been priorities for healthcare for years, and AI is making a real difference.”

Are we in an investment slump? Or are we seeing a resurgence? Is there a threatening mid-stage barbell or have early rounds been taking companies further? Is the exit market suddenly healthy or are public markets taking hits?

It looks like all of that is true. All at once.

Private markets are looking better than they have in years. After the dizzying heights of 2021 and the subsequent plunge, we’re moving towards something that looks like a reasonable slope for investment. Valuations are making more sense. There’s less hype about AI changing the face of healthcare, and more focus on powerful tools making a difference in unseen ways. A revenue cycle platform that can process as many appeals in an hour as manual reviewers can in a week, or that reduces denials by 10%, might not make for punchy headlines, but it could be the difference between a hospital staying open or closing. The areas getting the most value from AI have been priorities for healthcare for years, and AI is making a real difference.

Investors are no longer satisfied with promises; they demand concrete plans, strong market presence and robust clinical evidence. Companies that raised a Series A with the goal of reaching preclinical milestones are facing a funding environment wanting Phase 1 data before backing a Series B.

Data and interviews show a potentially dangerous emerging barbell trend. The scale of early-stage rounds has ballooned. With bigger seed and Series A raises and multiple extension rounds, early-stage companies are raising enough to bring them further than we expect. Is the Series B challenge a symptom of a tougher market, or simply a reflection of startups strategically raising enough in their Series A to reach critical value inflections points before seeking additional capital?

Public markets can also be deceptive, especially if you focus on industry indices. Many companies that exited in the frothy 2021 market likely shouldn’t have, and they continue to drag down the overall healthcare metrics. But beneath the surface, new entrants with solid fundamentals are not just surviving but thriving in public markets even as they weather the broader economic storms.

Big Pharma is especially reliant on the innovation ecosystem. Expiring exclusivity rights mean they desperately need to refill pipelines and find new blockbusters, and for that they need a research and startup pipeline exploring novel therapeutics. Corporate venture capital (CVC) firms and corporate-affiliated groups are exploring the possibilities that come from funding startups earlier. Data shows that biopharma startups can get substantial benefits from CVC investment, making these scouting investments a potential big win-win for both sides.

In the face of so much uncertainty, venture capital (VC) is more critical than ever. The innovation it fuels and the startups it empowers are building the technologies, tools and therapies that are the future of healthcare. It’s an exciting time. We’ve weathered storms before. We’re proud to play our role and to support this vital industry in a dynamic, rapidly changing world.

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Market Highlights

Report Preview

Macro Outlook

"In the first half of 2025, the US equity market digested an immense amount of headline risk and eventually looked through the noise. The S&P 500 has crossed new all-time highs, corporate earnings are projected to rise further, and unemployment is still very low. Policy uncertainty might delay business decisions in the near-term, but in our view these challenges may prove short-lived if government policy crystallizes and corporations adjust to the new rules of the road."

Phil Neuhart
SVP, Director of Market and Economic Research
First Citizens Wealth™

Investor Sentiment

Raising funds is not what it use to be. Amid the regulatory and geopolitical turmoil, **overall fundraising appears to be heading for the lowest volumes in more than 10 years.** That is not to say that everyone is struggling. The larger, more established fund managers may not even notice these downward trending totals.

Trending

1. **Fundraising is taking a hit.** We're currently trending for the **worst fundraising year since 2015.**
2. **AI is driving a healthtech surge.** Healthtech is **nearly a third of all healthcare investment** in 2025[1] to date.
3. **China is becoming a go-to for biopharma research.** Less than $1B in spending on Chinese biopharma in 2022 has suddenly grown to **more than $3B in the first half of 2025 alone.**

Biopharma

Investment is down relative to 2024, and sentiment is struggling to build momentum. Poor public performance and returns relative to benchmarks like the S&P 500 makes it hard for generalists to stay committed to the space. Strong M&A activity and potential rate cuts in the second half of the year could be the catalyst to positively shift the sentiment.

Healthtech

AI is driving a new resurgence in healthtech investing. While the previous peaks were largely driven by virtual and hybrid care companies, **the current boom is coming from administrative tools for both the front- and back-office that are integrating AI.** Functions like revenue cycle management and patient communication have clearer ROI and performance metrics, making them more appealing to an industry that's seen a lot of AI hype over the years.

Dx/Tools

With strong commercial dynamics, minimal residual disease (MRD) tests are continuing to make a splash in the Dx/Tools space. Similarly **strong performances in the public market bring an opportunity for optimism** that exit markets — which have been grinding forward — could see some positive activity in the second half of 2025. AI continues to play an important role, accounting for half of all investment in the Dx/Tools space.

Device

Consistency is the watchword so far in device investment, which has seen investment totals between $3B and $4B in every half since 2022. That might be about to change though, if **neuromodulation and AI-enabled remote surgery continue to attract attention and money.** A few strong exits wouldn't hurt either, but macroeconomics might be a barrier there as device companies look likely to be among the hardest hit by tariffs.

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Notes: 1) All 2025 data is as of 06/30/2025.
Source: PitchBook Data, Inc. and SVB proprietary data.

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What's inside:

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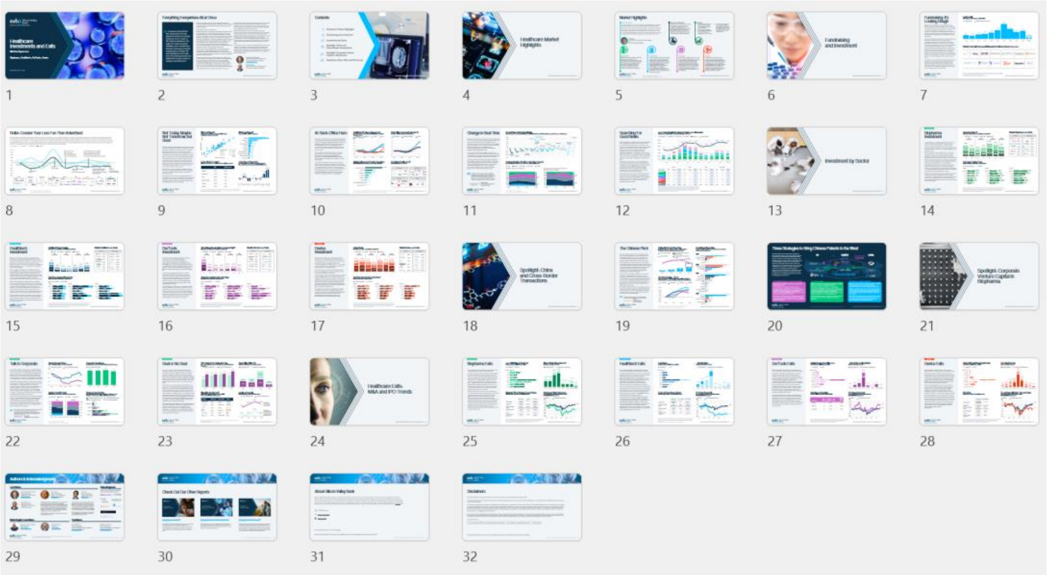

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Tyler Dean is a Senior Vice President on the biopharma and Dx/Tools practice for Boston and the greater Northeast. He and the Life Science and Healthcare team provide insights, advice, venture financing and banking solutions to help as companies scale from Series A and beyond. He joined SVB in 2022 and previously held a variety of roles focused on capital markets, relationship management and venture debt financing.

Tyler graduated from Brigham Young University in Utah with a degree in finance.

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Director of Business Development for Startup Banking – Life Science

Tim Lew leads business development for early-stage life science efforts in the San Francisco Bay Area. In this role, he mentors and advises startups at the beginning stages of their journey, connecting them to the larger SVB ecosystem and accelerating them to their next series goals via company building and fundraising strategies.

Tim holds a master's of science in biology from UC Santa Barbara and an MBA from the UNC Kenan-Flagler Business School.

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