

## A Look-Back at the BioPharma Industry in 2025

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Now that we have turned the page on 2025, let's take a moment to reflect on the state of the biopharma industry over the past year.

The year started off with a bang, as several large M&A transactions were announced in January at the annual J.P. Morgan Healthcare Conference. Among these transactions was Johnson & Johnson's \$14.6 billion acquisition of Intra-Cellular Therapies, a biotech that develops and markets products for the central nervous industry.

As the year progressed, however, the optimism began to fade due to political and economic headwinds that resulted from various federal policy changes implemented by the new presidential administration. Although some of the changes affected all industries, such as the implementation of reciprocal tariffs, other changes, such as significant cuts in NIH grant funding and numerous leadership changes at the FDA, more significantly affected the biopharma industry. The underperformance of the XBI, a tracker for biotech companies in the United States, from the beginning of the year through early April 2025 demonstrated the poor investor sentiment in the biopharma industry during this period. Beginning in mid-April 2025, the XBI began to recover and hit levels that had not been reached since the end of 2021.

According to J.P. Morgan's Q4 2025 Biopharma Licensing and Venture Report, or the JP Morgan Report, there were 413 venture financing rounds totaling \$24.6 billion in 2025, compared to 461 venture financing rounds totaling \$27.8 billion in 2024, representing an 11.5% decrease in overall value. Of the venture deals completed in 2025, 65% were for later-stage companies (Series B and beyond) and 35% were for earlier-stage companies (Seed and Series A), continuing the trend of a gap in access to venture financing between later-stage, more derisked companies, and earlier-stage companies. Furthermore, the median venture round sizes decreased for companies with preclinical and Phase I assets, but rose for companies with Phase II or Phase III assets, year-over-year.

M&A activity was quite strong in the biopharma industry in 2025, especially in the second half of the year. The JP Morgan Report noted that 129 deals totaling \$138 billion were reported in 2025. This represents a significant increase in M&A activity in the industry as compared to 2024. The total deal value in 2025 was driven by several multi-billion-dollar transactions, such as Novartis' \$12.0 billion acquisition of Avidity Biosciences, but the majority of M&A deals were with small and mid-cap companies.

The JP Morgan Report noted that licensing deals were the clear winner in 2025, with \$250.2 billion raised across 516 deals, compared to \$190.6 billion raised in licensing transactions in 2024. Upfront payments represented 7% of total deal value in 2025, the same share as in 2023 and 2024. The increased overall deal value in 2025 therefore resulted from more lucrative

milestone packages. Thirty-nine percent of out-licensing deals in 2025 involved assets from biopharma companies located in China, compared to 27% of out-licensing deals in 2024, and 19% of out-licensing deals in 2023. This increasing trend demonstrates the continuing maturity of the biopharma market in China.

According to the JP Morgan Report, the IPO market in 2025 was frigid in the biopharma sector, as there were only nine companies that completed a listing on U.S. exchanges. In the aggregate, these companies only raised \$1.6 billion, which was less than 50% of the amount raised by biopharma companies that listed on U.S. exchanges in 2024. The companies that completed an IPO in 2025 were of moderate size and had later-stage assets.

Despite the relatively neutral year for dealmaking and financing in the biopharma sector, the industry was once again hit by a string of layoffs. According to Fierce Biotech, there were 223 announced layoff rounds in 2025, compared to 192 announced layoff rounds in 2024, a 16% increase year-over-year. The median reduction size of the 2025 layoff rounds was 39%. The continuing layoffs in 2025 suggest that companies are still right-sizing from pandemic levels.

Notwithstanding the ongoing turmoil at the FDA, there were 46 new drug approvals and 18 new biologic approvals in 2025, compared to 50 new drug approvals and 18 new biologic approvals in 2024. However, according to Evaluate Pharma, fewer of the new drug and biologics approved in 2025 are expected to deliver blockbuster sales.

I look forward to seeing what 2026 has in store for the biopharma sector! Please reach out if you would ever like to discuss anything biopharma related.