BioPharma Industry Midpoint 2026 Report

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Now that we have passed the midpoint of 2026, it is useful to assess how the biopharma industry has performed year-to-date, and to consider what companies and investors should keep in mind for the remainder of the year and as they head into 2027.

Beginning in mid‑2025, the XBI, a tracker for biotech companies in the United States, reversed its earlier decline and entered a sustained recovery. This upward trend carried into 2026, with the index rising approximately 30-35% year‑to‑date. On a trailing basis, the XBI is up more than 60% over the past year, reaching levels near the historical all-time high of $174.79, which was last reached on February 9, 2021.

M&A Activity

This is partly due to the continuation of strong dealmaking momentum that emerged in the second half of 2025, particularly in the mergers and acquisitions market. According to PwC's Pharmaceutical and life sciences: US Deals 2026 midyear outlook, or PwC 2026 Midyear Report, strategic buyers remained highly active, and the first quarter of 2026 delivered one of the strongest periods for biopharma M&A in recent years. Pharmaceutical and life sciences deal value exceeded $65 billion in Q1 alone, nearly doubling the comparable period in 2025 and marking one of the most robust quarters in recent years. This activity was driven in large part by a surge in large transactions, with 16 deals valued at over $1 billion announced during the quarter, reflecting a significant return of large-scale acquisitions in the market.

Consistent with trends observed over the past several years, much of this activity has been driven by large pharmaceutical companies seeking to replenish their pipelines and offset anticipated revenue losses from upcoming loss-of-exclusivity cliffs. According to the PwC 2026 Midyear Report, industry estimates suggest that more than $300 billion in branded pharmaceutical revenue is exposed to patent expiry over the coming decade, creating sustained urgency among strategic acquirers. As a result, nearly every major pharmaceutical company has engaged in at least one billion-dollar-plus transaction over the past year, with many pursuing multiple acquisitions as part of broader portfolio repositioning strategies.

At the same time, even as overall deal value has increased, transaction strategy has remained disciplined. Transactions have focused on a relatively narrow pool of high-quality assets, contributing to elevated valuations and a continued emphasis on smaller, targeted acquisitions rather than large-scale, transformational mergers. In this sense, the current M&A cycle has been characterized less by consolidation and more by precision, as companies pursue focused investments in differentiated science.

Venture Capital Activity

According to the HSBC Venture Healthcare Report (Mid-Year 2026), or HSBC Report, there were 19 venture-backed BioPharma acquisitions in the first half of 2026, with a median upfront payment of $950 million. Ten of the 19 are companies whose lead assets were still preclinical or in Phase I, and for the six early-stage targets with disclosed last-round valuations, the median upfront represented a 6.2x multiple on the last private round.

M&A activity aside, a report from Newmark noted that "U.S.-based life science companies raised $7.0 billion in venture capital during the first quarter of 2026," reflecting a decline from the previous two quarters. This figure closely aligns with the $6.9 billion reported by J.P. Morgan for the same period but still represents a decline from the $8.6 billion raised in Q1 2025, underscoring that venture funding has yet to return to prior-year levels despite improved overall deal activity. Drawing on PitchBook data through June 30, 2026, the HBSC Report recorded $16 billion of venture investment into private biopharma companies across 314 deals in the first half of the year, with the second quarter delivering $9.4 billion. Annualized, that pace would exceed the $27 billion recorded in each of 2024 and 2025. These reports therefore suggest that broader private biopharma investment activity remained robust through the first half of 2026, indicating continued investor interest despite uneven quarter-to-quarter results.

This increase in venture capital activity reflects a broader structural shift in investor behavior. The introduction of mega round financing allowed VC's to deploy larger amounts of capital into a smaller number of high-growth companies, allowing investors to accelerate scaling efforts, delay public offerings, and consolidate market leadership before competitors could gain traction. While the number of companies completing venture financings declined in Q1 2026, H1 2026 saw $4.1 billion in first financings, defined as initial seed or Series A rounds of at least $2 million, across 95 biopharma companies, with the top 10% of deals absorbing 63% of all first-financing dollars, up from 44% in 2023. Absent mega rounds, biopharma investment has been flat at roughly $5–$6 billion per quarter since 2023. Further, the HBSC Report confirmed ten of the 14 largest first financings went to companies whose lead asset was preclinical or in Phase I, reversing the 2025 pattern in which eight of the 14 largest went to Phase II or Phase III assets. Early-stage capital remains available, but it is reaching a narrower set of companies in substantially larger amounts.

Licensing Activity

Licensing and partnership transactions have remained a central feature of the biopharma landscape. According to JP Morgan, licensing deal value reached $82.7 billion in Q1 2026, underscoring the continued importance of partnerships as a mechanism for accessing innovation while managing financial and clinical risk. These transactions have continued to rely heavily on milestone-based structures, with increasingly sophisticated deal terms incorporating contingent value rights and other mechanisms designed to allocate risk in an uncertain regulatory and pricing environment. Broader policy considerations, including drug pricing reforms, tariff exposure, and evolving trade dynamics, have influenced transaction structuring, but notably have not slowed overall deal activity.

Geographic Considerations

The geographic footprint of innovation continues to evolve as well. In 2026, China-origin assets have played an increasingly prominent role in global dealmaking, with US and European companies actively pursuing partnerships to access novel molecules and emerging platforms in areas such as oncology, immunology, and metabolic disease. These transactions have introduced additional geopolitical complexity but have also provided access to cutting-edge science, often at more favorable economics. This trend reflects a broader maturation of the global biopharma ecosystem and highlights the growing importance of cross-border collaboration. According to the HBSC Report, six of the 19 first financings of $50 million or more involved assets licensed from China, with two additional deals carrying license or development ties to South Korea. HSBC

cautions that the discount that made these assets attractive is narrowing as Chinese developers demand stronger terms. Parties structuring new licensing deals on longer terms should watch for any developments and account for that repricing.

IPO Market

The IPO market has also shown some early signs of improvement following a notably weak 2025. According to JP Morgan, in the first quarter of 2026, six companies completed IPOs, raising approximately $1.8 billion in aggregate and already surpassing the total capital raised in the sector during all of 2025. According to the HBSC Report, there were 12 total IPOs in the first half of 2026, with median proceeds rising to $344 million from $191 million in 2025. Kailera's $625 million offering set a record that Parabilis surpassed within the same half at $670 million. While this represents a meaningful improvement, the IPO window remains narrow and highly selective, with investors favoring companies that have robust clinical data and well-defined commercialization strategies. Eleven of the 12 issuers were in Phase II or Phase III at listing, and the median issuer had been building for 4.9 years since its first venture round. For some biotechs, these dynamics continue to make strategic transactions more attractive exit pathways than public listings. The strength of the 2026 class, however, has begun to shift that calculus; HSBC has raised its full-year forecast to between 20 and 25 offerings.

At a structural level, however, the fundamental drivers of activity remain firmly in place. Large pharmaceutical companies continue to face significant growth pressures, supported by substantial available capital and a persistent need to access external innovation. At the same time, advances in areas such as RNA-based therapeutics, gene editing, antibody-drug conjugates, and artificial intelligence-enabled drug discovery are expanding the universe of potential targets and creating new opportunities for strategic investment. Notably, AI is increasingly being incorporated directly into these deals, both as an investment focus and as a source of operational efficiency post-transaction.

Looking Ahead

As we look ahead to the second half of 2026, many of the trends that shaped the first half of the year are likely to continue. Dealmaking activity is expected to remain strong, driven by ongoing pipeline replenishment needs and sustained competition for high-quality assets. At the same time, capital markets are likely to remain selective, with IPO financing concentrated in more mature and de-risked companies. The competitive landscape may also continue to broaden, as private equity firms become more active participants in the life sciences sector and compete alongside strategic buyers for attractive opportunities, particularly in services, contract development and manufacturing organizations, and platform-based businesses.

At the same time, these trends underscore several strategic considerations for companies operating in the biopharma sector. As competition for high-quality assets intensifies and capital remains selective, companies may benefit from prioritizing differentiated science with clear clinical pathways and near-term value inflection points. Companies lacking meaningful data or highly differentiated assets, meanwhile, may need to seek alternative forms of financing, such as government grants or clinical trial financing. In addition, the increasing use of milestone-based deal structures and contingent value mechanisms suggests that flexibility in transaction structuring will remain important in navigating regulatory and pricing uncertainty. Companies may also need to evaluate how emerging capabilities, including artificial intelligence and global sourcing of innovation, can be integrated into both development strategies and dealmaking approaches in order to remain competitive in an increasingly complex landscape.

In sum, the first half of 2026 reflects a biopharma industry that has regained dealmaking momentum while maintaining a disciplined and selective approach to capital deployment. Although macroeconomic and policy-related uncertainties persist, the underlying drivers of activity—innovation, capital availability, and strategic necessity—continue to support a dynamic and active market environment. I look forward to seeing how these trends continue to evolve

over the remainder of the year and into 2027.

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