Biotech Venture Limped Through 2025. A Brighter 2026 Beckons.

Venture capitalists point to a surge in M&A and a glint of revival in the IPO arena as signs of better days ahead

By Brian Gormley

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2026 started off with a hale IPO for Aktis Oncology, kindling hopes for more listings.

A run of pharmaceutical mergers and acquisitions is fueling optimism that biotechnology venture capital is poised to rebound from its postpandemic slump.

With $223 billion in biotech M&A deals worldwide, 2025 was the industry's third-busiest year on record, according to investment bank Stifel.

Recent acquisitions illustrate drugmakers' aggressive pursuit of deals that could help them compete in hot markets, like obesity, and refuel with startups' new products as their own top-selling medicines come off patent. In November, Pfizerwon a bidding war with rival Novo Nordisk to buy obesity-focused Metsera—one of the few venture-backed biotechs to go public in 2025—in a deal that could be worth more than $10 billion.

“We’ve seen a spate of M&A that’s reinvigorating enthusiasm for the sector,” said Dr. Brian Abrahams, head of global healthcare research for RBC Capital Markets.

M&A deals help venture and other investors deliver returns to their backers and put more money to work in new companies. That could help reverse last year’s slide, when U.S. and European biotechs raised $26 billion in venture capital, down from $27 billion in 2024, according to HSBC Innovation Banking.

Last spring, uncertainty stemming from President Trump’s tariffs slowed venture investment.

Shortly after Trump’s “Liberation Day” tariffs announcement in April, startup Crystalys Therapeutics lost investors that had agreed to back the company’s Series A round, said co-founder and Chief Executive James Mackay.

“They just decided not to invest anywhere until things settled down,” Mackay said. Crystalys, which is developing a treatment for gout, found replacements and disclosed a $205 million Series A round in September.

But funding recovered in the second half as investors and drugmakers digested the policy shifts and concluded they wouldn’t hurt as much as initially expected. Pharmaceutical companies resumed their hunt for startups to buy, reviving interest in biotech.

“People started realizing you get rewarded for taking risk,” said Anna Fan, senior partner, public equity on the venture investments team of Novo Holdings.

Startups applying artificial intelligence to drug discovery are advancing medications into clinical trials and getting pharmaceutical companies’ attention, another development sparking interest in biotech.

Aktis Oncology at its initial public offering on Nasdaq earlier this month.

Biotech startup Enveda, which uses AI to scour nature for molecules that can be fashioned into new drugs, recently moved its third compound into clinical trials, a possible treatment for inflammatory bowel disease, after earlier advancing other drug candidates into the clinic: one for eczema and asthma, the other for obesity.

Last year, the company fetched interest from pharmaceutical companies, but instead raised a $150 million Series D financing so it could maintain full ownership of its drug pipeline, said founder and Chief Executive Viswa Colluru.

Biotech initial public offerings stalled last year, with just nine companies listing on U.S. exchanges, down from 19 in 2024, according to J.P. Morgan.

But last week's IPO of radiopharmaceuticals company Aktis Oncology got 2026 off to a sprightly start. Aktis not only upsized its offering, but went public at the top of its expected range.

An improved IPO market would give biotech startups more financing options, provide competition to pharmaceutical acquirers and add to venture investors' confidence in the sector.

Several mature biotechs are now considering a public listing, leading investors to expect a better pace of IPOs in 2026.

"It's going to be a much more productive year, with a high bar on quality," said Dr. Jim Healy, managing partner at Sofinnova Investments.