Executive summary

Medtech venture and deal activity offered early signs of recovery with a relatively active first quarter of 2024

Medtech venture activity showed gains in both number of deals and dollars invested quarter-over-quarter. IPOs returned, with two companies raising capital for the first time on NASDAQ. This follows a period during which there were no IPOs for five quarters. Licensing saw a handful of high-dollar-potential deal values in 2023, but again fell quiet in early 2024.

Here are a few highlights from our first quarter 2024 report:

- **Venture investment into medtech:** $15.8 billion was raised in 648 private funding rounds for medtech companies in 2023, down from $25.1 billion in 858 rounds in 2022. First quarter 2024 venture activity has seen $5.5 billion from 182 funding rounds.
- **Medtech licensing partnerships:** $11.3 billion in total announced deal value in 2023. The 170 medtech deals announced in Q1 2024 have only disclosed $100 million in total deal value, with no disclosure of upfront terms.
- **M&A:** 123 medtech M&A deals were announced in 2023, totaling over $47.4 billion. Q1 2024 has seen 47 acquisitions totaling $18.0 billion.
- **IPOs:** Two medtech IPOs completed on NASDAQ in Q1 2024, for a total of $800 million.

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Thank you for taking the time to read this report. We look forward to supporting you.

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Parameters

Biopharma companies are defined as firms developing therapeutics and technology platforms engaged in drug discovery, clinical R&D and commercialization.

Medtech companies are defined as firms developing medical devices, diagnostics, therapeutic digital health and commercial research tools. Healthcare IT and payer/provider software are excluded.

Therapy areas, development stages, modalities, and deal structures are segmented per the DealForma database.

Financials are based on disclosed figures curated by DealForma. Multiple tranches of the same Series are counted as one together.

Data as of 3/29/2024
Q1’24 medtech venture activity reported an impressive start to the year with the potential to outpace the full year of 2023.

Venture investments into medical devices, diagnostics, therapeutic digital health and commercial medtech tools companies have been on a decline since 2021. However, annualizing Q1’24 figures offers optimism with a notable rebound year over year. Dollar volume in 2023 closed lower than 2020 levels, as venture investors remained sidelined awaiting positive signals from company catalysts and exits.

- $15.8 billion was raised in 648 private funding rounds for medtech companies in 2023, down from $25.1 billion in 858 rounds in 2022.
- First quarter 2024 venture activity has seen $5.5 billion from 182 funding rounds.
- The interest rate environment has closely correlated with deal activity in the space. Declining interest rates partially contributed to an uptick in activity beginning in 2020, while rising rates beginning in 2022 correlated with a slowdown in activity. Now, with rates stabilized and indications of coming rate cuts later this year, we may see medtech deal activity increase through 2024.

Source: DealForma.com database; Fed rate: fred.stlouisfed.org
Financials based on disclosed figures. Data through 3/29/2024.
Smaller rounds led medtech venture investment and partnership upfront payment activity

Medtech investment and partnership upfront check sizes remained on the smaller side through the beginning of 2024. Despite the headlines, most venture rounds into medtech companies sit below $50 million, and R&D license upfronts sit below $10 million.

- 150 of the 182 disclosed medtech venture rounds in Q1 2024 have been under $50 million, though there have been 10 so far at or above $100 million.
- Some of the largest medtech venture rounds in 2024 include the private rounds for Radiology Partners at $720 million and Freenome at $254 million.
- Medtech R&D partnership and licensing deal upfront payments split 2023 with nine under $10 million, seven up to $99 million and two over $100 million. First quarter 2024 only produced six medtech R&D partnerships which disclosed any upfront values.

Source: DealForma.com database
Financials based on disclosed figures. Data through 3/29/2024.
Medtech venture funding continued to be driven by Series B and later rounds

Seed and Series A funding into medtech companies has remained a challenge for company formations. Series B and later rounds continue to dominate the funding landscape for those companies that have gained traction and can attract repeat investment.

- $4.0 billion in 316 seed and Series A rounds completed in 2023 with an additional $1.3 billion in 103 rounds in Q1 2024.
- Notable 2024 Series A rounds in medtech include Zephyr AI at $111 million and Radionetics Oncology at $52.5 million.
- Series B and later, with much larger investment amounts, tracked 394 rounds in 2023 and 108 in Q1 2024 for a total of $18.0 billion for medtech.

-source: DealForma.com database
Financials based on disclosed figures. Data through 3/29/2024.
The share of upfront payments in medtech partnerships are higher than in biopharma

In-licensing partners and buyers must balance deal economic risk with the demand for valuable programs, which attract the most up front. Biopharma had this share at 7% of total deal value paid in upfronts in 2023. Medtech split the deal totals higher at 10%, but on a smaller deal total compared to biopharma.

- 10% of the $11.3 billion in total announced deal value in 2023 was in upfront payments in medtech licensing, down from 14% in 2022.

- The 170 medtech deals announced in Q1 2024 only disclosed $100 million in total deal values with no substantial disclosure of upfront payments. The largest medtech deal in Q1 2024 was Elegen/GSK, with up to $35 million in total announced deal value for Elegen’s cell-free synthetic DNA production technology.

- Full-year 2023 saw five deals with total announced deal values of $1 billion or more. This included Aspect Biosystems/Novo Nordisk, with up to $2.6 billion in total announced deal value for Aspect’s bioprinting technology.

Source: DealForma.com database
Financials based on disclosed figures. Data through 3/29/2024.

Medtech: R&D Partnership & Licensing Totals ($B) and Percentage Up Front

- Total Deal Value ($B)
- Total Upfront Percent of Total Deal Value

Upfront Share of Total Deal Value

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Deal Value ($B)</th>
<th>Total Upfront Percent of Total Deal Value</th>
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</tr>
<tr>
<td>2016</td>
<td>$3.9</td>
<td>11%</td>
</tr>
<tr>
<td>2017</td>
<td>$2.8</td>
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<tr>
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Medtech M&A activity has not returned since the 2021 peak

Medtech acquisition activity has remained depressed in both the number of deals and dollar volume despite there being more medtech acquisitions historically when compared to biopharma.

• 123 M&A transactions were announced in 202,3 totaling over $47.4 billion for medical device, diagnostics, therapeutic digital health and commercial research tool companies.

• Q1 2024 has seen 47 medtech acquisition announcements totaling $18.0 billion. Continuing at this pace for the next three quarters would show substantial growth over 2023.

Source: DealForma.com database
Financials based on disclosed figures. Data through 3/29/2024.
Medtech IPOs returned in early 2024 after a flat five quarters

Medtech IPO activity last peaked in 2021 with 47 companies going public on U.S. exchanges for $13.0 billion. This was followed by just $100 million in four IPOs in early 2022, then none for five quarters. It wasn't until 2024 when medtech IPOs returned, albeit softly.

• Two medtech IPOs completed on NASDAQ in Q1 2024 for a total of $800 million: Fractyl Health with $110 million and BrightSpring Health Services at $693 million. Both were trading below their IPO price at the end of Q1 2024.

• There have also been several notable acquisitions of medtech companies that have gone public since 2019:
  • Livongo Health was acquired by Teladoc Health (NYSE: TDOC) for $13.9 billion on Oct. 30, 2020
  • Oak Street Health was acquired by CVS Health (NYSE: CVS) for $10.6 billion on May 2, 2023

Source: DealForma.com database
Financials based on disclosed figures. IPOs by completion date. Data through 3/29/2024.
Note: Q1 2024 IPO data excludes the IPO of Autonomix Medical who did not raise enough capital in their IPO to be included in the corresponding data set.
MedTech IPOs have demonstrated mixed trading performance

Several medtech IPO standouts have contributed to strong trading performance over a three-year period for the 2019 cohort in particular. The 2020 and 2021 cohorts have thus far underperformed the S&P 500, though it’s important to note the long-term growth potential and innovative nature of this industry, which could lead to improved performance in the future.

- The 2019 cohort is up over 50% over a three-year period, surpassing the S&P 500’s roughly 33% increase over the same period. This cohort is led by companies such as Shockwave Medical Inc. (NASD: SWAV) and TransMedics Group (NASD: TMDX) who have performed exceptionally well since their debut.

IPO Cohort Indexes are weighted by market cap
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