



Healthcare Investments and Exits

Annual Report 2022

Arizona Entrepreneurship Presentation

Biopharma | Healthtech | Dx/Tools | Device

Jonathan Norris, Managing Director, Healthcare

jnorris@svb.com

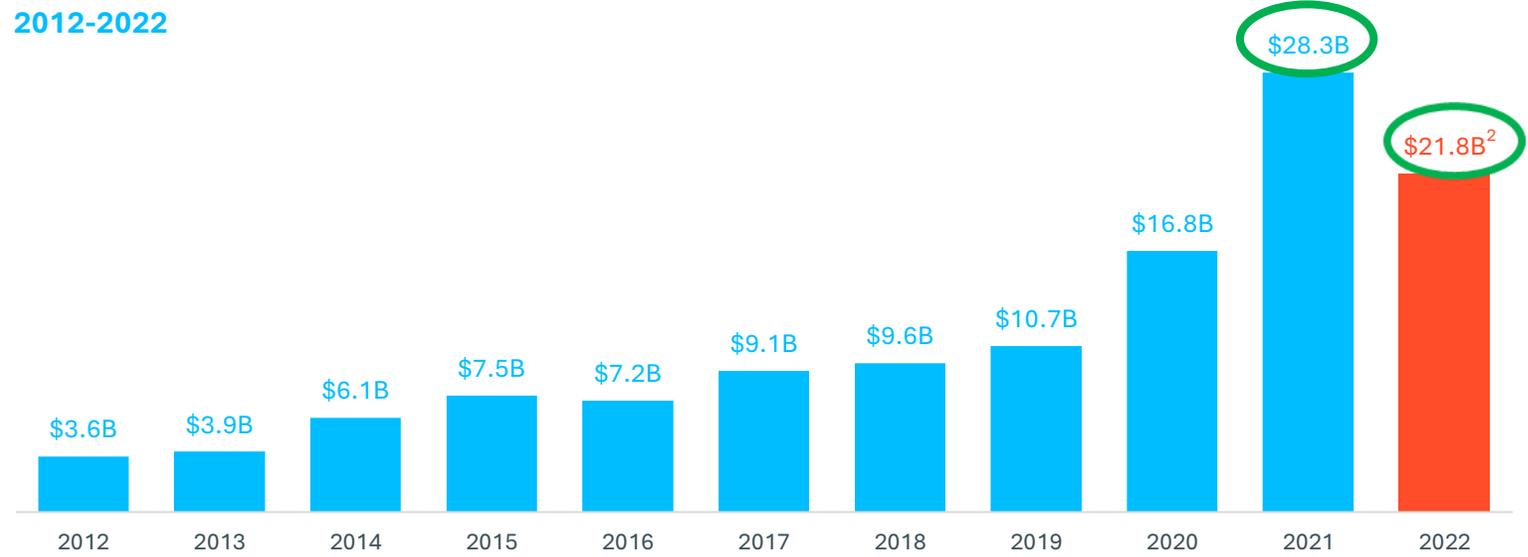
 @jonnysvb



Investors Continue to Fundraise into Downturn

- \$50B+ Fundraised in last two years
- 50% of that capital is likely dedicated toward biopharma
- Lots of capital available to invest, plus dry powder for those new investments

US Healthcare Venture Capital Fundraising¹ 2012-2022



Notable Funds with Allocations to Healthcare³

Note: 1) US Healthcare Venture Capital Fundraising defined as an approximation of healthcare investment dollars to be invested by firms that historically invest in +50% US companies. 2) Estimates based off of anecdotal conversations with investors and expert analysis of last fund deal pace and focus on healthtech. 3) Notable funds based on largest estimated allocation to venture healthcare. Data as of 12/16/2022. Source: PitchBook and SVB proprietary data.

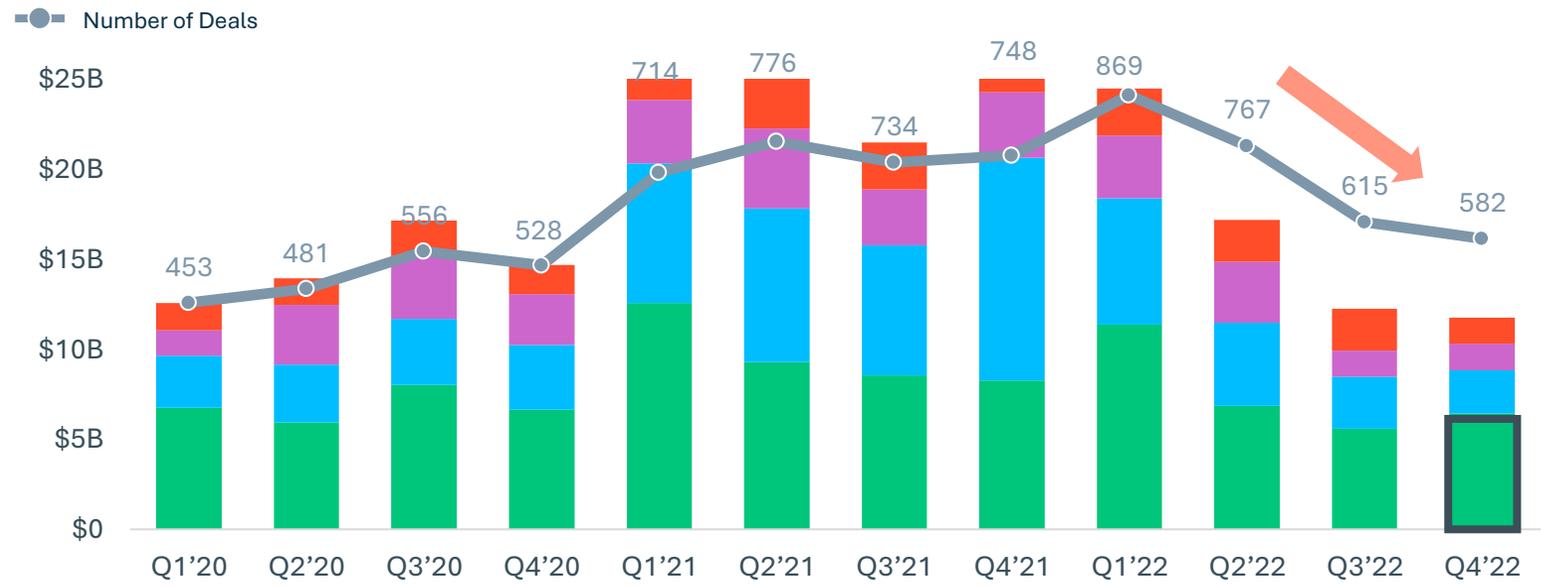
Investment Decreased from 2021 but Remains at Historically High Levels

- Context: In 2018 and 2019, total dollars jumped from previous highs of \$20B+ to a new record of \$33B in both years.
- Hypothesis: 2020 should be our benchmark for 2022.
- Decrease each quarter of 2022 – leveling out in Q4 (with increase in biopharma in Q4).

Why the decrease in 2022?

- 1) Next round milestones moved = more time spent with existing portfolio and an increase in insider/bridge rounds;
- 2) later stage valuations are in flux and IPOs have largely disappeared, leading to slowdown in large, crossover led mezz rounds.

VC Dollars and Deals by Healthcare Sectors US, EU & UK



Sectors (\$B)	2020			2021			2022		
	US	EU & UK	Total	US	EU & UK	Total	US	EU & UK	Total
Biopharma	22,594	4,795	27,389	31,730	6,919	38,649	25,379	4,914	30,292
Healthtech ¹	11,760	1,613	13,373	33,031	2,869	35,900	13,074	3,865	16,940
Dx/Tools	9,116	1,784	10,900	11,964	2,703	14,667	8,199	1,619	9,817
Device	5,769	821	6,590	6,774	2,429	9,203	7,084	1,598	8,683
Total	49,239	9,013	58,252	83,499	14,920	98,419	53,736	11,996	65,732

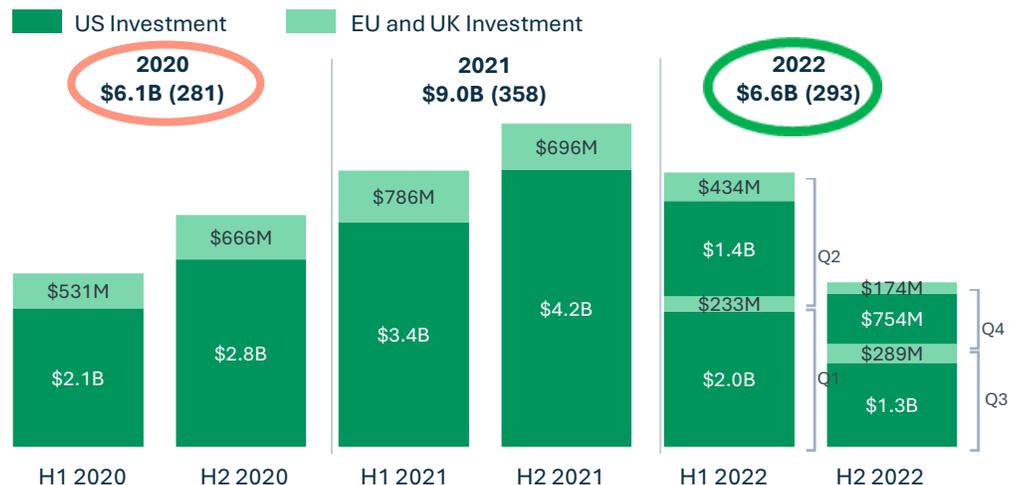
Note: 1) Healthtech deals that overlap with other sectors are not included in healthtech totals on this slide but are included in healthtech-specific analyses on pages 13-17. With overlap, healthtech investments for 2022 total \$22B. Financing data include private financings by venture-backed companies in the US, EU, and UK. Dates of financing rounds are subject to change based on add-on investments. All data as of 12/31/2022.
Source: PitchBook and SVB proprietary data.



Early-Stage Declines, Valuations Stable

- 2H trail-off in Seed/A Investment but still more than 2020.
- Neurology investment way down. While not evident in chart, early stage Oncology down significantly in 2H 2022 (both deals and \$s down 50%).
- Respiratory and autoimmune activity trended up. Cardiovascular and metabolic were also up.
- Seed/Company formation activity remained strong – early-stage investment is major secret sauce for venture investors. We also noted institutionally-led seed deals more heavily syndicated to alleviate financing risk.

Seed/Series A¹ Dollars and (Deals) US, EU & UK



Seed/Series A Dollars and Deals by Top Indications

Indications	2020		2021		2022	
	Dollars	Deals	Dollars	Deals	Dollars	Deals
Platform	\$1.8B	74	\$3.5B	96	\$2.2B	77
Oncology	\$1.7B	79	\$1.6B	77	\$1.8B	74
Autoimmune	\$372M	9	\$347M	10	\$479M	14
Respiratory	\$81M	7	\$88M	7	\$447M	7
Anti-Infective	\$157M	11	\$439M	28	\$409M	17
Neurology	\$974M	38	\$1.6B	55	\$381M	25
Ophthalmology	\$94M	9	\$194M	9	\$202M	9

Note: 1) Seed/Series A includes first-time investments from institutional or corporate venture investment in the US, EU, and UK and any first-round investments equal to or greater than \$2M, regardless of investor. Dates of financing rounds are subject to change based on add-on investments. All data as of 12/31/2022.

Source: PitchBook and SVB proprietary data.

Series A Funding Cliff in Biopharma: “B” in the Clinic

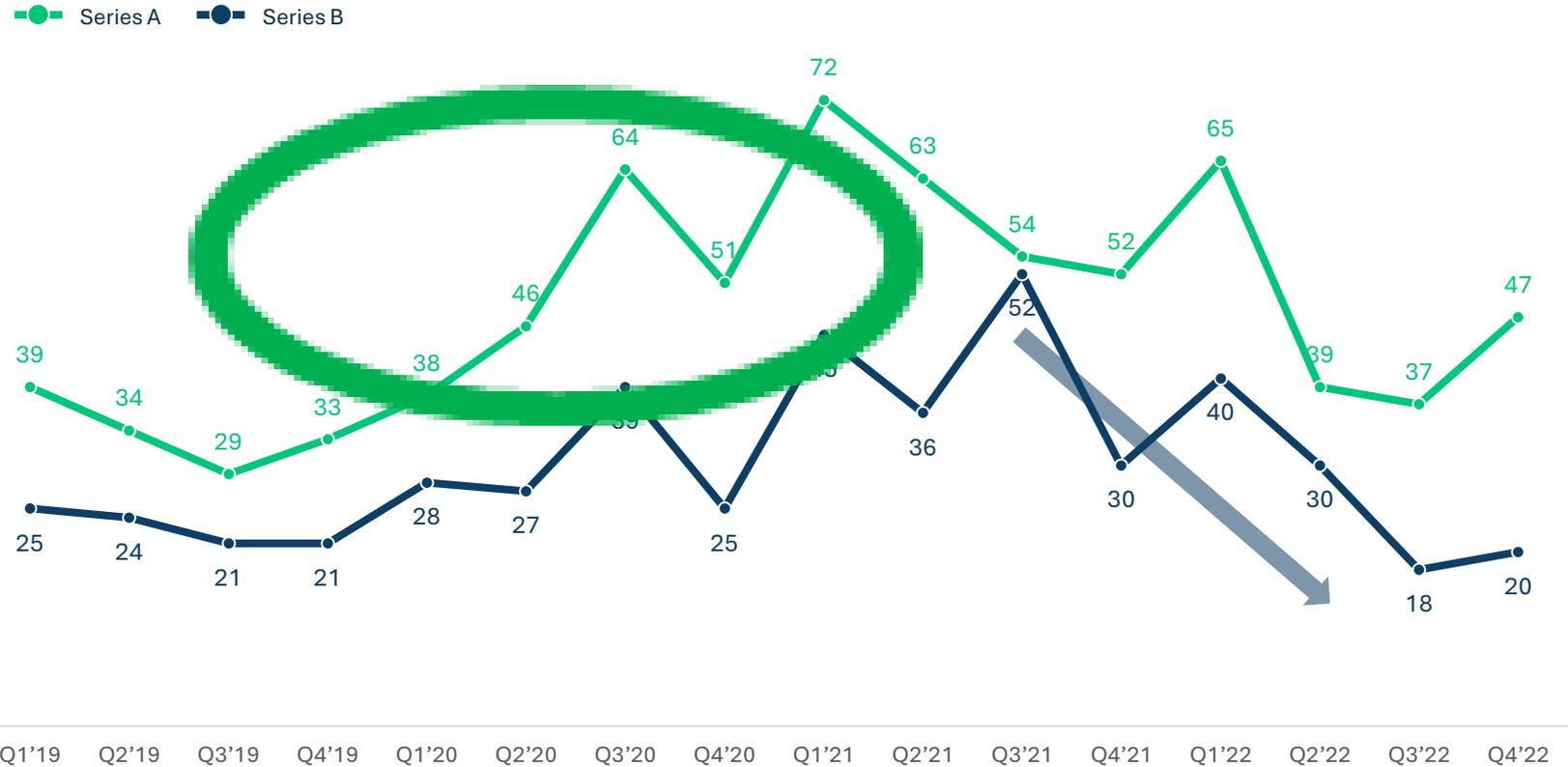
Our Thesis: Majority of recent Series A deals were very early stage platform companies that have yet to enter the clinic. Series B investors are demanding clinical data, forcing many companies to raise insider rounds to provide more time to progress company assets.

The Concern: Insider rounds deplete investor dry powder and lead to less inside investor support in the next round. Additionally, 2H 2023 (when many of these bridged companies come back to market) will be a very crowded and more difficult fundraising environment.

The Silver Lining: Healthcare venture firms raised a record amount of capital, including many opportunity funds, to provide support for top biopharma companies in 2023. Capital should be available for companies that are able to show positive clinical progress.



Series A & Series B¹: Biopharma Deal Counts US, EU & UK



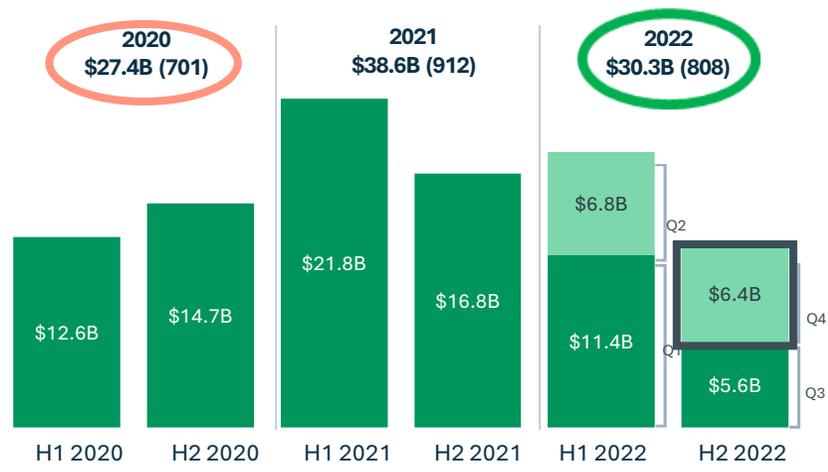
Note: 1) Series A and Series B data are based on series label Pitchbook assigns to each financing. Includes venture investment in US, EU, and UK equal to or greater than \$2M. Dates of financing rounds are subject to change based on add-on investments. All data as of 12/31/2022.
Source: PitchBook and SVB proprietary data.

Investments Fall in H2 as Crossover Activity Wanes

- In 2022, biopharma investment steadily declined in each quarter but bounced back in Q4.
- Overall, we saw the most significant slowdown in oncology and neurology dollars, each down around 40% from 2021, even dropping below 2020 pace. Ophthalmology was up.
- The shortfall in biopharma investment was driven by fewer large crossover deals and smaller insider rounds, especially in Series A deals.
- We did note that in Q4 investors and companies started to embrace slight down-rounds in favor of bringing in new capital and recommend sacrificing valuation for new investors.
- As an exception to the push for clinical data to unlock Series B, investors were more willing to fund preclinical biopharma companies if they were applying computational approaches to discover and develop drugs. We saw platform comp bio companies, including Eikon, Tessera and Treeline reach high valuations with strong step-ups despite no assets in the clinic.



Total Dollars and (Deals) US, EU & UK



Dollars and Deals by Top Indications US, EU & UK

Indications	2020		2021		2022	
	Dollars	Deals	Dollars	Deals	Dollars	Deals
Platform	\$7.6B	148	\$12.2B	216	\$10.6B	172
Oncology	\$8.9B	208	\$11.3B	256	\$7.0B	204
Neurology	\$2.7B	89	\$4.5B	126	\$2.5B	96
Anti-Infective	\$1.2B	42	\$1.7B	56	\$1.3B	49
Autoimmune	\$747M	18	\$1.8B	34	\$1.5B	35
Ophthalmology	\$426M	20	\$965M	24	\$1.4B	31

Note: Financing data includes private financings by venture-backed companies in the US, EU, and UK. Dates of financing rounds are subject to change based on add-on investments. All data as of 12/31/2022.
Source: PitchBook and SVB proprietary data.

Most Active¹ Biopharma Investors

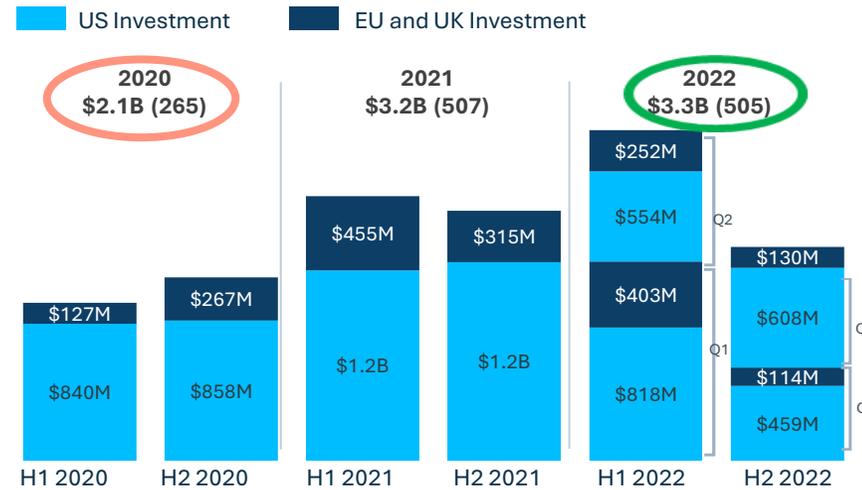
Deal Count, US, EU & UK (2021-2022)

Venture Activity Overall			Late-Stage/Crossover Activity Overall			Corporate Venture Activity Overall			Platform			Oncology		
38	27 2021		65	46 2021	RACAPITAL	47	33 2021		14	6 2021		26	20 2021	RACAPITAL
	11 2022			19 2022			14 2022			8 2022			6 2022	
29	22 2021		43	38 2021		22	14 2021		13	11 2021	RACAPITAL	20	19 2021	
	7 2022			5 2022			8 2022			2 2022			1 2022	
25	9 2021		39	33 2021	Janus Henderson INVESTORS	20	10 2021		13	7 2021		17	12 2021	SURVEYOR
	16 2022			6 2022			10 2022			6 2022			5 2022	
22	10 2021		38	28 2021	SURVEYOR	19	8 2021		12	9 2021		17	16 2021	Janus Henderson INVESTORS
	12 2022			10 2022			11 2022			3 2022			1 2022	
17	14 2021		38	31 2021		13	9 2021	leaps 	11	9 2021		15	13 2021	
	5 2022			7 2022			4 2022			2 2022			2 2022	

Early-Stage Activity Hits New Record in 2022

- Despite overall investment decrease, early-stage investment flourished.
- Provider operations (PO) companies received the most early-stage investment to help implement efficiencies in provider workflows, reduce administrative burden and utilize technology to improve decision-making.
- Alternative care (AC) investments experienced a dramatic shift to early-stage, but market saturation in this space will require companies to show improved outcomes, increased quality or reduced cost and proven ROI and unit economics to secure later-stage rounds.
- Momentum was strong in Women’s Health in 2022, with the closing of the largest WH-only focused fund (SteelSky Ventures at \$72M) and rapidly expanding WH investment in menopause, pelvic floor therapy and sexual health.

Seed/Series A¹ Dollars and (Deals) US, EU & UK



Seed/Series A Dollars and Deals by Top Subsectors

Subsectors	2020		2021		2022	
	Dollars	Deals	Dollars	Deals	Dollars	Deals
Provider Operations	\$733M	102	\$1.5B	215	\$1.9B	227
Alternative Care	\$608M	73	\$818M	141	\$977M	126
Wellness & Education	\$289M	45	\$303M	72	\$453M	105
Clinical Trial Enablement	\$232M	14	\$152M	33	\$125M	21
Medication Management	\$42M	8	\$53M	13	\$75M	18
Healthcare Navigation	\$144M	14	\$257M	23	\$15M	6

Note: 1) Seed/Series A includes first-time investments from institutional or corporate venture investment in the US, EU, and UK and any first-round investments equal to or greater than \$2M, regardless of investor. Dates of financing rounds are subject to change based on add-on investments. 2) These companies overlap with the dx/tools sector and are included in both sets of sector-specific analyses. Biopharma drug discovery companies excluded from healthtech data. All data as of 12/31/2022. Source: PitchBook and SVB proprietary data.

Healthtech Companies Push Series B into 2023

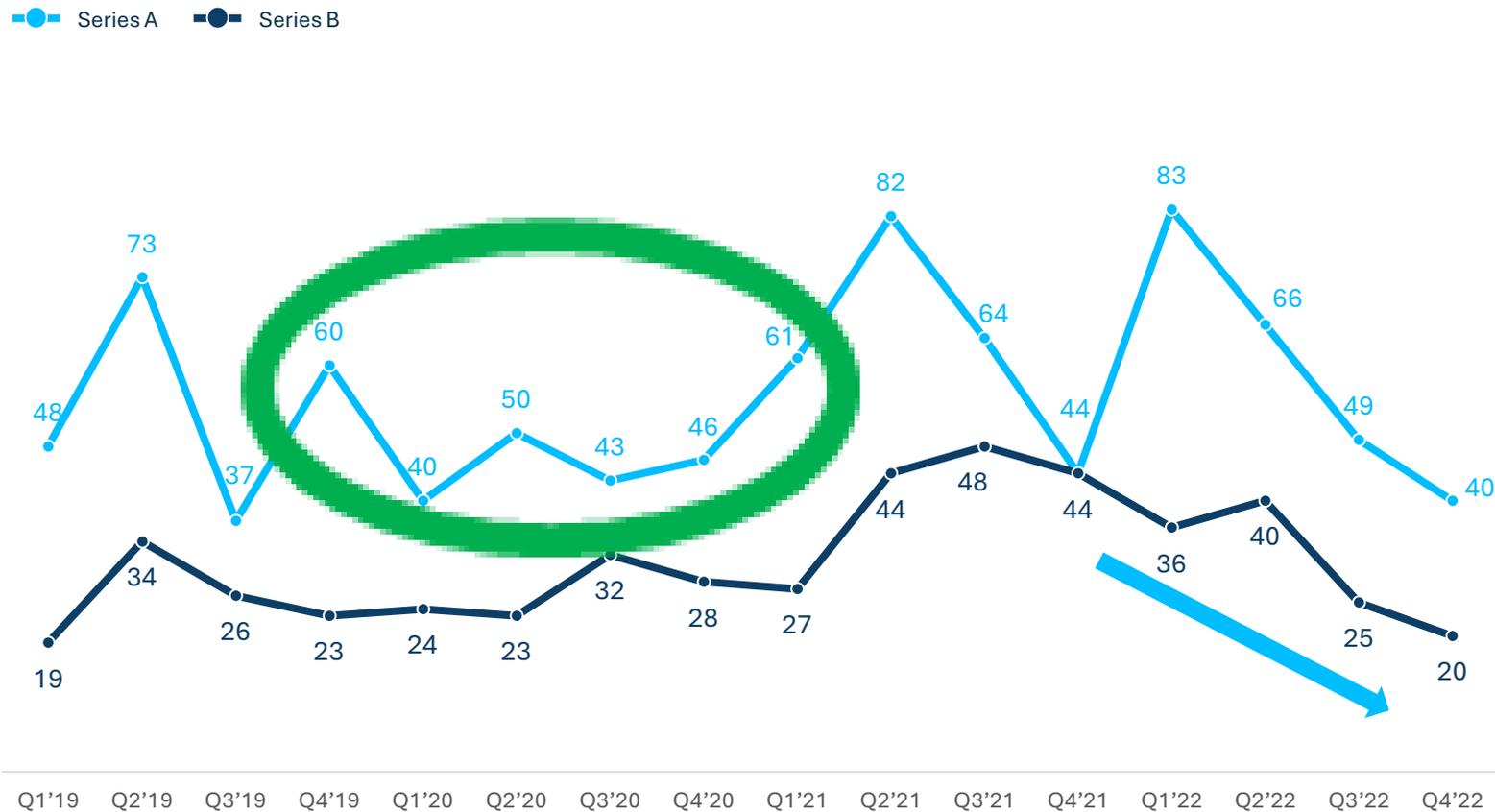
After robust Series A activity in 2020 and 2021, we noted a steady decline in Series B activity in 2022. Of the 179 healthtech companies that raised a Series A in 2020, 45% (80) raised a Series B through 2022, and of the 247 companies that raised a Series A in 2021, only 24% (60) raised a Series B through 2022.

Our thesis- For healthtech companies to raise Series B, new investors are putting increased pressure on companies to show conversion from pilots to commercial contracts. Investors are also pushing for proven or well-defined unit economics and backup plans for profitability, while customers push for tangible improvements in clinical outcomes or cost effectiveness. Companies have turned to Series A extensions or convertible insider bridges to secure more time to hit these milestones.

The Concern- Inside rounds deplete investor dry powder and likely mean less insider support for the upcoming round in 2023.

The Silver Lining- There was a record amount of healthcare VC funds raised over the past two years. We think there will be abundant capital to support strong stories in 2023.

Series A & Series B¹: Healthtech Deal Counts US, EU & UK



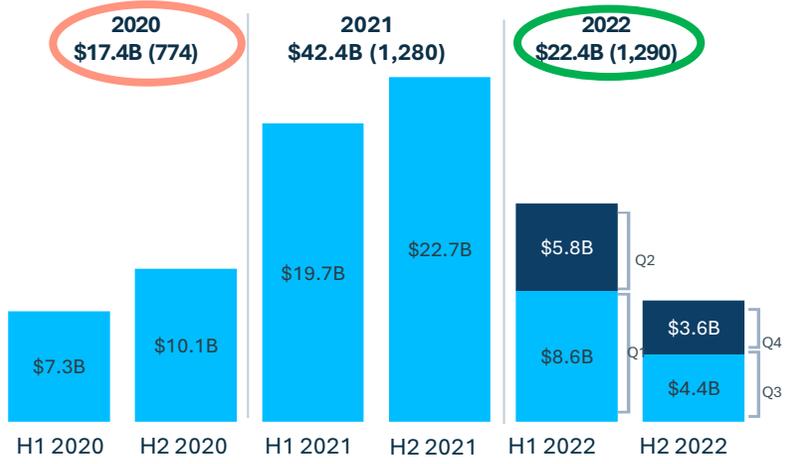
Note: 1) Series A and Series B data are based on series label PitchBook assigns to each financing. Includes venture investment in US, EU and UK equal to or greater than \$2M. Dates of financing rounds are subject to change based on add-on investments. All data as of 12/31/2022.

Source: PitchBook and SVB proprietary data.

Investors Shift Focus to Provider Efficiencies

- Investors shifted focus from AC to PO to address workflow efficiencies and implement new virtual care models in provider practices.
- Later-stage large deal were significantly down in 2022.
- Notably, later-stage mental health (MH) companies defied this downward AC trend. We saw later-stage AC financings for companies that provided tangible value creation for patients, especially through employer-sponsored benefits.
- PO led all healthtech investment in 2022 to improve workflow, reduce burnout and adopt managed care models. There is a healthy dose of caution with so many start-ups in this subsector, as provider adoption of new tech has historically been slow. However, acquirer interest has been strong, as almost half of all 2022 healthtech M&A were acquisitions of PO companies.
- Over the past few years, we saw an influx of venture-backed AC companies that were focused initially on point solutions. We noted a trend of these private companies merging in order to offer whole-person platform care, providing more touchpoints along the continuum of care to improve quality and management of chronic conditions.

Total Dollars and (Deals) US, EU & UK



Notable 2022 Deals



Dollars and Deals by Top Subsectors US, EU & UK

Subsectors	2020		2021		2022	
	Dollars	Deals	Dollars	Deals	Dollars	Deals
Provider Operations	\$5.9B	326	\$10.9B	519	\$9.6B	602
Alternative Care	\$5.8B	214	\$20.3B	369	\$6.9B	312
Clinical Trial Enablement ³	\$1.2B	48	\$3.2B	98	\$1.7B	67
Wellness & Education	\$1.4B	103	\$2.9B	164	\$1.7B	212
Medication Management	\$646M	28	\$1.2B	37	\$907M	49
Healthcare Navigation	\$843M	33	\$2.2B	68	\$1.4B	34

Note: 1) These companies overlap with the biopharma, dx/tools or device sectors and are included in both sets of sector-specific analyses. 2) Only includes private post-money values from publicly disclosed 2022 financings in PitchBook. 3) Biopharma drug discovery companies excluded from healthtech data. Financing data include private financings by venture-backed companies in the US, EU, and UK. Dates of financing rounds are subject to change based on add-on investments. Data as of 12/31/2022.
Source: PitchBook and SVB proprietary data.

Most Active¹ Healthtech Investors

Deal Count, US, EU & UK (2021-2022)

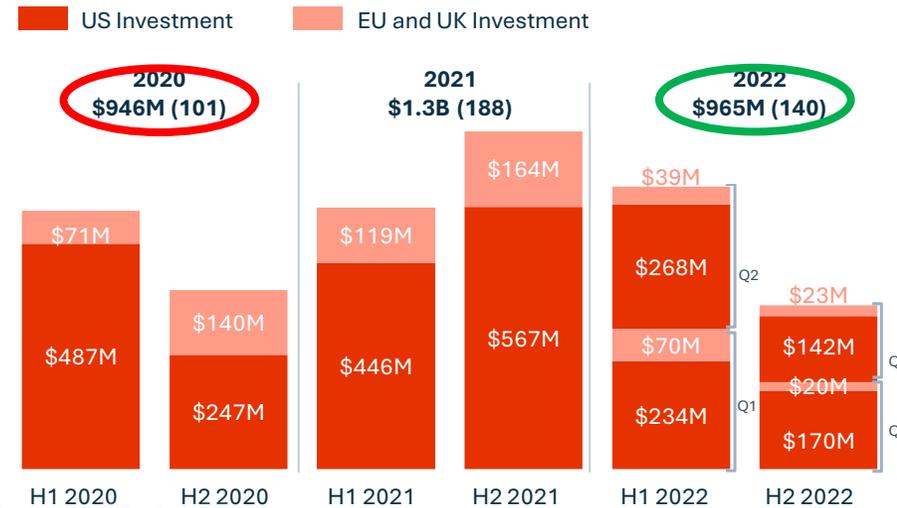
Venture Activity Overall			Later-Stage/Crossover Activity Overall			Corporate Venture Activity Overall			Alternative Care			Provider Operations		
52	28 2021 24 2022	 Gaingels	31	21 2021 10 2022	 TIGERGLOBAL	22	12 2021 10 2022	 G/	16	12 2021 4 2022	 Gaingels	17	9 2021 8 2022	 Gaingels
40	20 2021 20 2022	 GENERAL CATALYST	22	14 2021 8 2022	 SoftBank	17	13 2021 4 2022	 OPTUM	15	6 2021 9 2022	 GENERAL CATALYST	↔ 11	7 2021 4 2022	 GENERAL CATALYST
33	18 2021 15 2022	 ALUMNI VENTURES GROUP	16	10 2021 6 2022	 CASDIN CAPITAL LIFE SCIENCE INVESTMENTS	15	5 2021 10 2022	 ALEXANDRIA	13	10 2021 3 2022	 TIGERGLOBAL	↔ 9	5 2021 4 2022	 TIGERGLOBAL
22	17 2021 5 2022	 andreessen horowitz	11	5 2021 6 2022	 Fidelity INVESTMENTS	11	6 2021 5 2022	 MERCK	9	7 2021 2 2022	 G/	9	6 2021 3 2022	 INSIGHT PARTNERS
22	13 2021 9 2022	 INSIGHT PARTNERS	10	7 2021 3 2022	 T.RowePrice	9	3 2021 6 2022	 leaps	9	3 2021 6 2022	 7wire Ventures	9	4 2021 5 2022	 DEERFIELD Advancing Healthcare

Device Decline in H2; Retreat by Strategics

- In 2022, early-stage investment into device companies started off strong but declined significantly in H2. We saw a 50% drop in non-invasive monitoring deals, possibly a correction after exceptional investment activity in this indication over the past two years.
- Overall, it appears that many device investors shifted their focus from portfolio expansion to portfolio preservation in H2, scaling back on early-stage deals to help mid- to late-stage portfolio companies extend their cash runways.
- We still saw strong early-stage investment from firms like Santé, Broadview, Vensana, Lightstone, and ShangBay. Other larger venture funds also sought out earlier investment opportunities in the device sector as the later-stage space became crowded with new PE, growth equity, hedge fund and crossover investors.

Seed/Series A¹ Dollars and (Deals)

US, EU & UK



Seed/Series A Dollars and Deals by Top Indications

US, EU & UK

Indications	2020		2021		2022	
	Dollars	Deals	Dollars	Deals	Dollars	Deals
Non-Invasive Monitoring	\$139M	18	\$280M	50	\$163M	23
Drug Delivery	\$35M	8	\$63M	9	\$171M	8
Surgical	\$180M	12	\$50M	11	\$110M	21
Neurology	\$137M	7	\$83M	13	\$54M	11
Platform	\$13M	3	\$129M	12	\$39M	7
Orthopedic	\$46M	7	\$47M	13	\$55M	15
Ophthalmology	\$19M	5	\$86M	9	\$88M	7

Note: 1) Seed/Series A includes first-time investments from institutional or corporate venture investment in the US, EU, and UK and any first-round investments equal to or greater than \$2M, regardless of investor. 2) This company overlaps with the healthtech sector and is included in both sets of sector-specific analyses. 3) Definitions for PMA and 510(k) can be found in the glossary on page 40 of this report. Dates of financing rounds are subject to change based on add-on investments.

All data as of 12/31/2022.

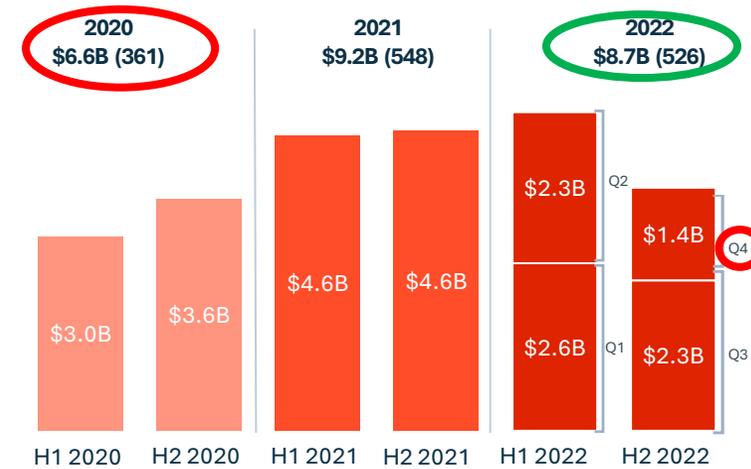
Source: PitchBook and SVB proprietary data.

Late Stage Remains Sanguine, but for How Much Longer?

- A stellar H1 2022 was followed by a lackluster H2. Regardless, strong activity in the first three quarters was surprising in the face of a tough public market and fewer M&A deals.
- PE, large institutional venture and growth cap investors shifted their focus toward later-stage revenue-driven device companies with good margins, which have the potential to create sustainable business models at reasonable valuations. For the same reason, these investors were joined by hedge fund and crossover investors that traditionally focused on biopharma.
- With a growing set of later-stage device investors, 2022 had more \$100M+ financings than each of the two prior years. The largest financings and valuations were for companies in non-invasive monitoring.
- However, beneath the surface, investors started to rely on term sheets with liquidation preferences greater than 1x, pay-to-play provisions, and even full ratchets, which sweetens the deal for new investors while protecting the company from the optics of a down round. It's only a matter of time before later-stage down rounds become more prevalent.



Total Dollars and (Deals) US, EU & UK



Notable 2022 Deals

2020 2021 2022

\$50M+ to \$99M



\$100M+



Note: 1) These companies overlap with the healthcare sector and are included in both sets of sector-specific analyses. 2) Only includes private post-money values from publicly disclosed 2022 financings in PitchBook. Financing data include private financings by venture-backed companies in the US, EU, and UK. Dates of financing rounds are subject to change based on add-on investments.

All data as of 12/31/2022.

Source: PitchBook and SVB proprietary data.

Dollars and Deals by Subsectors US, EU & UK

Indications	2020		2021		2022	
	Dollars	Deals	Dollars	Deals	Dollars	Deals
Non-Invasive Monitoring	\$1.0B	52	\$1.0B	104	\$1.8B	87
Imaging	\$674M	40	\$1.2B	59	\$551M	43
Drug Delivery	\$231M	23	\$623M	41	\$709M	34
Surgical	\$389M	28	\$1.1B	34	\$709M	51
Neurology	\$620M	26	\$871M	39	\$691M	40
Cardiovascular	\$776M	34	\$638M	38	\$849M	40
Vascular	\$407M	27	\$547M	31	\$422M	34

2022 Highest-Valued Private Companies² US, EU & UK

Athelas ¹	Non-Invasive Monitoring	\$1.6B post
biofourmis ¹	Non-Invasive Monitoring	\$1.3B post
AliveCor ¹	Non-Invasive Monitoring	\$980M post
Distalmotion	Surgical	\$756M post
Noah Medical	Surgical	\$750M post
reflexion	Oncology	\$750M post
CERAPEDICS	Orthopedic	\$700M post
kerecis	Dermatology	\$620M post



Most Active¹ Device Investors

Deal Count, US, EU & UK (2021-2022)

Venture Activity Overall			Late-Stage/Crossover Activity Overall			Corporate Venture Activity Overall			Non-Invasive Monitoring			Neurology		
10	5 2021 5 2022		6	5 2021 1 2022	BlackRock	6	4 2021 2 2022	G/	4	2 2021 2 2022		2	2 2021 0 2022	
10	5 2021 5 2022		5	2 2021 3 2022	RACAPITAL	4	1 2021 3 2022	INTUITIVE Ventures	3	3 2021 0 2022		2	0 2021 2 2022	
8	6 2021 2 2022	Gaingels	4	3 2021 1 2022	KCK medtech	4	4 2021 0 2022	MAYO CLINIC	3	2 2021 1 2022		2	2 2021 0 2022	
6	4 2021 2 2022		4	3 2021 1 2022	SOLEUS CAPITAL	4	2 2021 2 2022		3	1 2021 2 2022		2	2 2021 0 2022	
5	3 2021 2 2022		4	3 2021 1 2022	SANDS CAPITAL	3	3 2021 0 2022	ZEPPE HEALTH	3	3 2021 0 2022		2	1 2021 1 2022	? what if ventures



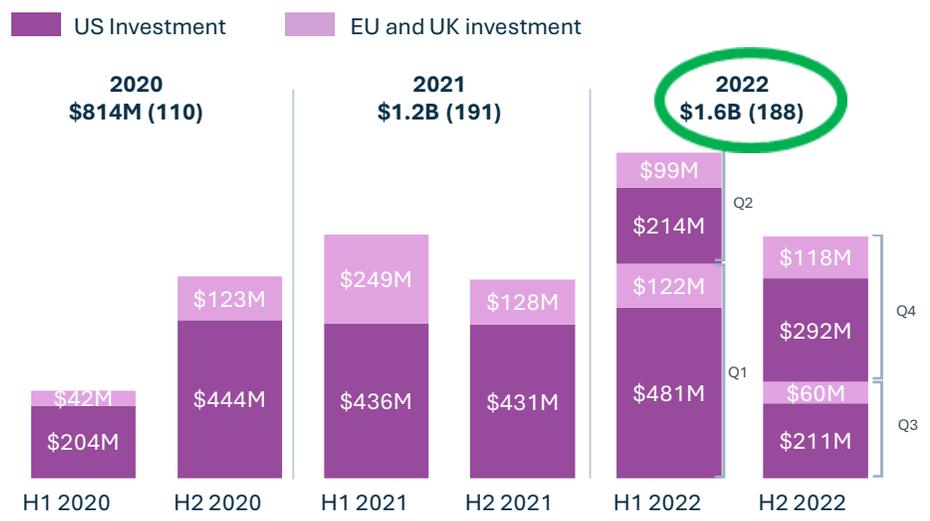
Note: 1) Most active new investors calculated as new (first-time) investments in US, EU, and UK companies from 2021–2022. Dates of financing rounds subject to change based on add-on investments. Corporate parent and corporate venture investment are combined under corporate investor. Source: PitchBook, conversations with investors and SVB proprietary data.



Liquid Biopsy Leads Strong Early-Stage Activity

- Early-stage investment pushed 2022 slightly past 2021. At the same time, later-stage investment dropped dramatically.
- Our hypothesis: many dx/tools venture investors and waiting out the downturn by investing in seed/Series A deals.
- Dx Tests investment increased for the second straight year and **more than doubled** in 2022, despite the subsector’s historically difficult reimbursement and revenue ramp. The four largest dx test financings focused on liquid biopsy for cancer diagnosis. A possible reason for more investment – private M&A exit multiples have been on the rise here over the past three years.
- Early-stage dx analytics investment also continued to grow. Aside from platform technologies (19 deals), the most popular sub indications were oncology (11) and neurology (10).
- Recent R&D tools IPOs have been battered in the public market, and this likely factored into R&D tools’ decline in deals and dollars.

Seed/Series A¹ Dollars and (Deals) US, EU & UK



Seed/Series A Dollars and Deals by Subsectors US, EU & UK

Subsectors	2020		2021		2022	
	Dollars	Deals	Dollars	Deals	Dollars	Deals
R&D Tools	\$372M	53	\$600M	85	\$532M	66
Dx Analytics	\$246M	26	\$413M	54	\$490M	64
Dx Tests	\$201M	33	\$222M	51	\$574M	57

Note: 1) Seed/Series A includes first-time investments from institutional or corporate venture investment in the US, EU, and UK and any first-round investments equal to or greater than \$2M, regardless of investor.
 2) These companies overlap with the healthtech sector and are included in both sets of sector-specific analyses. Dates of financing rounds are subject to change based on add-on investments.
 All data as of 12/31/2022.
 Source: PitchBook and SVB proprietary data.



Investment Shortfall in H2, Led by R&D Tools

- We noted strong dx/tools investment in H1 2022. However, this activity plummeted in H2, with only three \$100M+ deals (vs. 16 in H1).
- This slowdown may either be temporary or signal that later-stage investors are shifting their new investment focus toward other sectors. Given the shrinking public market, there are limited near-term opportunities to match the huge dx/tools exits from 2020 and 2021. Larger sized financing numbers dropped +50%
- In R&D tools, Ultima Genomics and Resilience each raised \$600M in H1 2022. However, R&D tools investment dropped 85% in 2H, falling below 2020 numbers.
- Later-stage investors continue to focus on dx analytics companies. Four of the five largest deals in this subsector were led by crossover/growth players. These deals also included biopharma corporates, which are advancing data-driven precision medicine through investments and collaborations.
- While Dx test activity doubled in Seed/A, later stage dropped by 50% and is well below 2020 investment. We think liquid biopsy investments have created an increasingly crowded space. We expect some private consolidation in 2023.

Total Dollars and (Deals) US, EU & UK



Dollars and Deals by Subsectors US, EU & UK

Subsectors	2020		2021		2022	
	Dollars	Deals	Dollars	Deals	Dollars	Deals
R&D Tools	\$5.0B	148	\$7.5B	222	\$4.8B	180
Dx Tests	\$3.3B	92	\$3.8B	149	\$1.9B	120
Dx Analytics	\$2.5B	101	\$3.3B	137	\$3.2B	174

Notable 2022 Deals



2022 Highest-Valued Private Companies²

TEMPUS ¹	Dx Analytics	\$10.3B post
RESILIENCE	R&D Tools	\$9.0 post
BostonGene ¹	Dx Analytics	\$2.2B post
SYNTHEGO ¹	R&D Tools	\$1.2B post
iz.ai ¹	Dx Analytics	\$1.2B post
BillionToOne	Dx Tests	\$1.0B post
Alloy Therapeutics	R&D Tools	\$792M post
DELFI	Dx Tests	\$625M post

Note: 1) These companies overlap with the healthtech sector and are included in both sets of sector-specific analyses. 2) Only includes private post-money values from publicly disclosed 2022 financings in PitchBook. Financing data include private financings by venture-backed companies in the US, EU, and UK. Dates of financing rounds are subject to change based on add-on investments. All data as of 12/31/2022.

Source: PitchBook and SVB proprietary data.

Most Active¹ Dx/Tools Investors

Deal Count, US, EU & UK (2021-2022)

Venture Activity Overall			Late-Stage/Crossover Activity Overall			Corporate Venture Activity Overall			R&D Tools			Dx Analytics		
16	12 2021 4 2022		14	6 2021 8 2022		17	12 2021 5 2022		11	9 2021 2 2022		6	5 2021 1 2022	
10	7 2021 3 2022		9	7 2021 2 2022		6	2 2021 4 2022		10	6 2021 4 2022		4	2 2021 2 2022	
10	6 2021 4 2022		7	6 2021 1 2022		5	2 2021 3 2022		8	3 2021 5 2022		4	4 2021 0 2022	
9	4 2021 5 2022		7	6 2021 1 2022		4	3 2021 1 2022		6	4 2021 2 2022		4	2 2021 2 2022	
8	4 2021 4 2022		7	4 2021 3 2022		3	2 2021 1 2022		7	5 2021 2 2022		4	3 2021 1 2022	

Healthcare Outlook: 2023 and Beyond

While there is still uncertainty in the private investment landscape, the strongest companies will receive funding in 2023.

Fundraising and Investments:

Venture healthcare fundraising will likely decline to about **\$15B in 2023**, as LPs may be dealing with over-allocation into venture healthcare after two record years of funding into this sector. We expect the **slower investment pace to continue in 2023**, allowing investors to extend the time frame between fundraises. We think investment dollars will revert to 2020's pace. There will likely be an increase in larger, outsider-led rounds in H2 2023. We anticipate many of these rounds will be down rounds or flat “engineered” rounds with sweeteners for new investors, correcting inflated company valuations. There is **still an unprecedented amount of dedicated venture healthcare capital to be deployed**, so the top companies will continue to climb to high valuations and foster intense competition among new investors.

Biopharma:

Biopharma investment in 2023 should remain at 2020 levels, although with increased dollars in autoimmune and respiratory. We will continue to see large pre-IPO rounds, but likely at a single digit pace per quarter. Many of the highly valued companies that raised their

most recent financings in 2020 and 2021 but cannot go public will either close down rounds or possibly merge with another private company to augment pipeline or technology. We estimate 25-30 IPOs for 2023 and 15-20 M&A, including increased comp bio acquisitions.

Healthtech:

We expect late-stage investment to continue to slow in 2023, with lower valuations and fewer mega-deals, as public markets continue to put pressure on private valuations. While we expect top healthtech companies to continue raising capital through more insider and bridge rounds, we will likely start to see more down rounds. **We anticipate that many healthtech companies will delay IPO plans until at least late 2023.** Instead, we expect a wave of consolidations, especially in alternative care. We also anticipate more tech and healthtech acquirers entering the space.

Dx/Tools:

Investment in dx/tools should rebound from H2 2022 to finish 2023 at \$8B-\$9B — **just shy of 2020's pace** — led by early-stage activity. There will likely be selective

larger financings (\$100M+) with participation from growth/PE investors and sovereign wealth funds, likely in liquid biopsy and precision-medicine dx analytics companies. We expect IPOs to continue to be muted in 2023. Private companies with unicorn valuations will likely need to wait until 2024 for big M&A exits and may continue to build value by acquiring other venture-backed technologies. M&A deals will likely rise to hit double-digits in 2023, led by dx tests and analytics deals.

Device:

Device investment should hit \$6B-\$8B in 2023, closely mirroring 2020's pace. We expect to see fewer \$100M+ deals in 2023, as many top companies raised rounds in 2022, and it is uncertain how many later-stage opportunistic device investors will continue to be active. **The IPO window will likely stay closed in 2023.** However, there will be a strong group of IPO candidates for 2024, with growing revenues and high gross margins, some of which may spur large-dollar acquisition interest in 2023. Overall, we expect M&A deals to increase to the mid-teens in 2023.

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Source: SVB proprietary data.



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