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Biotech Industry Update

Q2 2026

Executive Summary

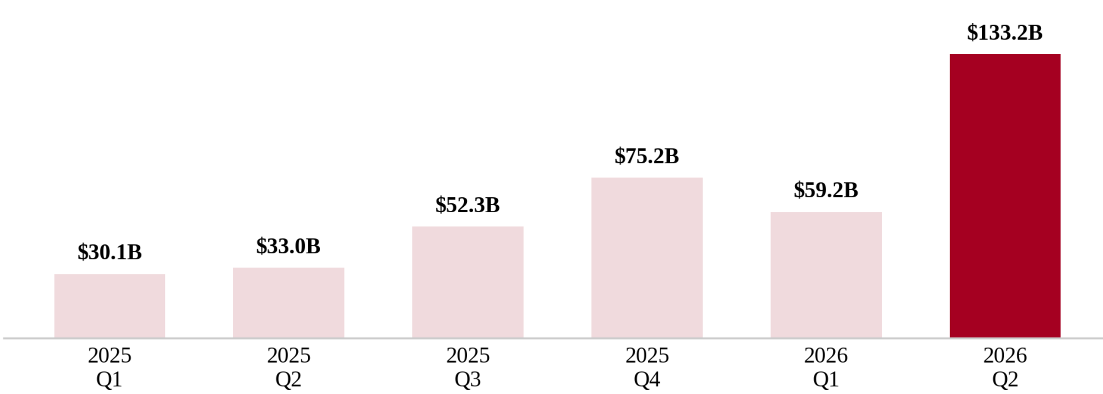
The biotech sector continued to emerge from its multi-year downturn in Q2 2026, with the quarter delivering one of the strongest funding and dealmaking environments in recent years. Q2 deal flow was driven by record biopharma M&A, a reopening IPO market, and improving investor confidence in late-stage clinical assets. At the same time, artificial intelligence is reshaping the biotech landscape. AI is becoming increasingly embedded across biotech R&D and development workflows, from target identification and molecule design to clinical strategy and regulatory planning. The technology can materially improve efficiency, reduce development timelines, and enhance the probability of success. With this context, strategic acquirers and private equity investors will remain highly focused on assets that combine scientific differentiation with operational scalability and capital efficiency.

$133.2B	**$55.1B**	**$166.7B**
Biotech capital invested in Q2 2026, across 232 deals	Biopharma M&A upfront cash in Q2, across 48 deals	Announced R&D licensing value in H1 2026

Industry Overview

The global biotech industry continues to represent one of the most innovation-driven segments within healthcare, spanning therapeutics, diagnostics, and enabling technologies. Q2 2026 marked a decisive breakout in biotech deal activity, with capital invested surging to $133.2B across 232 deals, which was more than double the $59.2B recorded in Q1 2026, above every other quarter shown and above the prior-cycle high of $115.8B set in Q3 2021. The rebound was broad-based across subsectors. J.P. Morgan data highlights sustained strength in biopharma, with $55.1B in M&A upfront cash across 48 deals in Q2, which was a second consecutive $40B+ quarter; in H1 biopharma M&A grew to $96B across 80 deals. Announced R&D licensing reached $166.7B in H1 2026, while biopharma venture funding totaled $16.3B across 235 rounds, including $9.2B in Q2. Public markets reopened with biopharma IPOs raising $5.0B across 13 offerings in H1 2026, exceeding every full-year total since 2022.

Biotech Capital Invested by Quarter ($B)



Source(s): PitchBook, QoQ Capital Invested in Pharma/Biotechnology; J.P. Morgan Q2 2026 Biopharma Licensing and Venture Report (July 2026) for biopharma M&A, licensing, venture funding, and IPO figures.

Financial Landscape

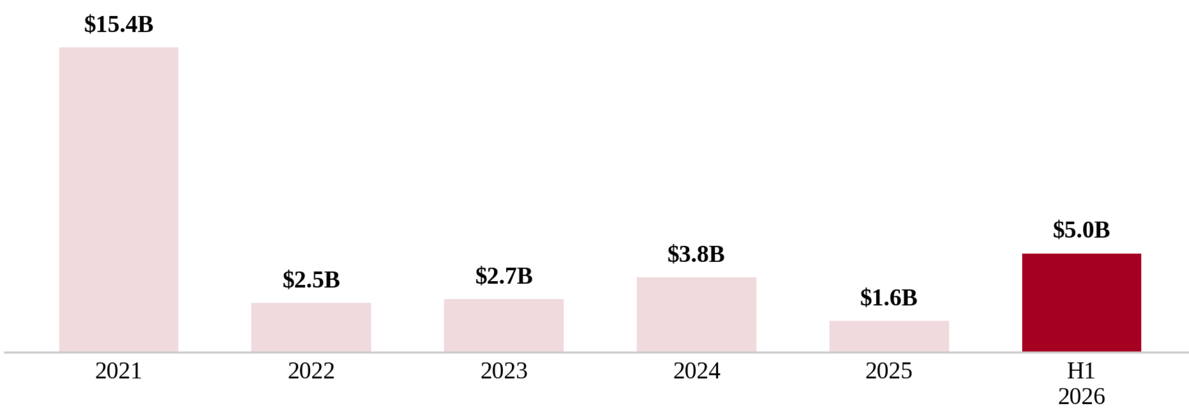
Private Capital Formation

Private capital formation improved though it remains markedly more selective than in the last capital cycle. Capital concentrated in later-stage companies: Series B and later rounds absorbed $11.5B across 121 deals, while seed and Series A companies raised $4.8B across 114 deals. Median funding rounds scaled with clinical maturity, from $22M for platform and discovery-stage companies to $63M for Phase II and $73M for Phase III. Geographically, the United States absorbed 70% of global venture dollars, with the San Francisco Bay Area ($11.3B) and Boston ($8.8B) leading all hubs from 2025 through H1 2026.

A Narrow but Open IPO Window

The public markets have reopened in H1. Biopharma IPOs raised $5.0B across 13 offerings on Nasdaq and the NYSE in H1 2026, already exceeding every full-year total since 2022. The window is open but narrow: 11 of the 13 issuers carried Phase II stage or later assets.

Biopharma IPO Proceeds, NASDAQ and NYSE ($B)



Source: J.P. Morgan Q2 2026 Biopharma Licensing and Venture Report (July 2026).

Biotech innovation remains concentrated in key therapeutic areas, including oncology, cardiometabolic and obesity, immunology, and rare disorders. Capital is being deployed at the intersection of unmet clinical need and strong reimbursement dynamics.

The sector reached this point after a difficult multi-year stretch. Public market volatility, high interest rates, and regulatory uncertainty drove a prolonged slowdown in IPO activity and venture funding from 2022 to 2025. But underlying innovation never stopped, and the first-half 2026 data confirms that the capital environment has now become materially more constructive.

While the reopening is significant, H1 2026 proceeds remain well below the 2021 peak, reinforcing that public-market access has improved but has not returned to prior-cycle conditions.

Drivers & Themes

Business Model Trends

AI Integration & Platformization

Biotech companies are transitioning from single-asset development models to platform-based approaches. AI enables companies to pursue multiple programs simultaneously while leveraging shared data and infrastructure.

Shift Toward Clinical Validation

Investors are placing emphasis on clinical data and proof-of-concept validation. Early-stage companies without meaningful data struggle to access capital, while later-stage companies with proven efficacy are commanding strong valuations.

Strategic Partnerships with Pharma

Collaboration between biotech companies and large pharmaceutical organizations continues to expand. Partnerships provide biotech firms with access to capital, development expertise, and commercialization.

Capital Efficiency Focus

In the current environment, companies are prioritizing disciplined capital deployment and operational efficiency. This includes streamlined pipelines, focused R&D strategies, and increased use of partnerships.

Product Trends

AI-Enabled Drug Discovery

AI is significantly accelerating drug discovery timelines, with some estimates suggesting potential reductions from 10–15 years to as little as 3–5 years across the full development lifecycle. AI systems can now screen millions of compounds and optimize clinical trials.

Biological Foundation Models

Next-generation biotech platforms are leveraging datasets to build “biological foundation models” that capture complex interactions within human biology. These models enable more accurate predictions of drug behavior and patient outcomes.

Precision Medicine & Personalization

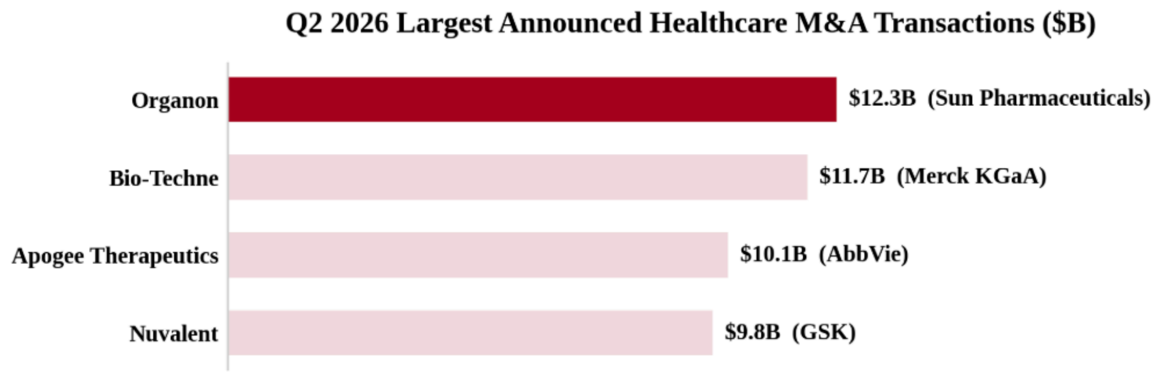
Advances in diagnostics are enabling more targeted therapies tailored to specific patient populations. This innovation is improving treatment efficacy, minimizing side-effects, and supporting premium pricing models.

Preventive and Data-Driven Healthcare

The integration of diagnostics, monitoring technologies, and AI-driven insights is moving healthcare toward a more proactive model focused on early detection and intervention.

M&A Overview

In Q2 2026, AbbVie's ~$10.1B agreement to acquire Apogee Therapeutics and GSK's ~$9.8B agreement to acquire Nuvalent headlined a wave of large-cap moves to secure differentiated, late-stage assets across immunology and oncology. Biopharma M&A totaled $55.1B in upfront cash across 48 deals in Q2, surpassing Q1 and marking a second straight quarter above $40B; the first half of 2026 produced 33 transactions valued at $1B or greater, nearly matching the 34 recorded in all of 2025.



Source(s): J.P. Morgan, PitchBook Global M&A Report, BioPharma Dive, Tully & Holland Research.

The targeted deployment of capital shows a theme of strategic urgency, most notably the need for large pharmaceutical companies to offset upcoming patent expirations and replenish pipelines. As a result, buyers are prioritizing late-stage programs and platform technologies that enable sustained R&D pipeline generation. The 33 transactions at $1B or greater in the first half of 2026 nearly match the 34 recorded across all of 2025, which is the clearest evidence in the data that this is a sustained acceleration rather than a single-quarter fluctuation. That strength is concentrated in strategic activity: corporate M&A value rose 105.9% quarter-over-quarter, while buyout value fell to $33.8B and remains 61.7% below its 2021 peak.

Selected Loss-of-Exclusivity Exposure

COMPANY	KEY DRUG(S)	LOE TIMING	PEAK / RECENT REVENUE	# AT RISK	COMMENTARY
Merck & Co.	Keytruda	~2028	~$25B+	1	Largest single-asset exposure in pharma
Bristol Myers Squibb	Eliquis, Opdivo, Revlimid	2026–2028	~$25B+ combined	2–3	One of the most acute multi-asset cliffs
Pfizer	Eliquis, Ibrance, Prevnar	2026–2028	~$15B–$20B+	2–3	Facing both patent pressure and post-COVID reset
Amgen	Prolia, Xgeva, Enbrel	2025–2026	~$10B+ combined	2	Near-term exposure, especially bone health franchise
Johnson & Johnson	Stelara, Darzalex, Xarelto	2025–2026 (Stelara)	~$10B+	1–2	Stelara is primary near-term driver
Novartis	Entresto, Cosentyx	2025–2026 (Entresto)	~$8B–$12B	1–2	Balanced near- and mid-term exposure
Roche	Ocrevus	2029–2030	~$7B–$8B	1	More back-end loaded vs peers

Source: Company filings (10-K/20-F), investor presentations, and third-party research from Evaluate Pharma, IQVIA, McKinsey, Deloitte, EY, and J.P. Morgan.

Notable Q2 Announced Transactions

Organon → Sun Pharmaceuticals

$12.3B

2.0x Rev | 8.8x EBITDA

Organon is a global pharmaceutical company built around women's health; it was the largest of the quarter's healthcare deals at $12.3 billion. The deal reflects buyer preference for immediate, cash-generative scale in a durable therapeutic franchise without the risk of an early-stage platform.

Bio-Techne → Merck KGaA

$11.7B

9.7x Rev | 46.2x EBITDA

Bio-Techne supplies reagents, instruments, and diagnostic tools to the life-sciences and clinical research markets, a picks-and-shovels position that sells into pharma and biotech. At $11.7 billion, 9.7x revenue and 46.2x EBITDA, the deal extends consolidation in life-science tools and gives Merck a platform in diagnostics and bioprocessing with one of the quarter's steepest multiples.

Nuvalent → GSK

$9.8B

Pre-Revenue

Nuvalent is a clinical-stage biotech developing inhibitors in precision oncology, designed to target resistance mutations while limiting toxicity. At $9.8 billion for a pre-revenue company, the transaction echoes the patent-cliff logic, a large drugmaker backfilling future revenue with a late-stage, de-risked oncology asset.

Apogee Therapeutics → AbbVie

$10.1B

Pre-Revenue

Apogee Therapeutics is a clinical-stage biotech developing long-acting biologics for inflammatory and immunology indications, led by programs in atopic dermatitis, asthma and eosinophilic esophagitis. At a 53% premium to the share price, the transaction reinforces AbbVie's continued effort to broaden its immunology franchise beyond Humira.

Note: Transaction multiples shown are deal-implied, calculated as disclosed transaction value divided by the target's last twelve months reported revenue and EBITDA at announcement. All transactions shown were announced during Q2 2026.

Conclusion & Outlook

$300B+	**33**	**$5.0B**
Branded pharma revenue exposed to loss of exclusivity through 2030	Biopharma M&A deals at $1B+ in H1 2026	Biopharma IPO proceeds across 13 offerings in H1 2026

Q2 represents a genuine reacceleration in biotech capital markets, but not a broad return to 2021 conditions. M&A, licensing, later-stage venture funding, and IPO issuance are all improving, but capital remains concentrated in differentiated and clinically de-risked assets.

High-quality, clinically validated, platform-driven companies continue to attract capital and command premium valuations, while earlier-stage and single-asset companies face increasing valuation pressure. Public markets are strengthening with H1 2026 biopharma IPO proceeds of $5.0B across 13 offerings, including the two largest biopharma IPOs on record (Kailera Therapeutics, $625M; Parabilis Medicines, $670M). We believe the IPO window could widen further for later-stage assets.

Looking ahead, we see several key indicators shaping the trajectory of the market, including the ~$300B+ of branded pharma revenue exposed to patent loss through 2030, sustained large-scale M&A activity, and continued investment in AI-driven drug discovery platforms. For founders and investors, we expect the second half of 2026 to remain constructive. Deal-making should stay both active and selective, with capital concentrated in differentiated, de-risked assets that pair scientific innovation with operational scalability.

> *At Tully & Holland, we believe the current environment presents meaningful opportunities for both founders and business owners, particularly in segments where innovation, scalability, and recurring value creation intersect.*

Appendix

Exhibit 1: Public Market Performance – H1 2026

INDEX	H1 2026	COMMENTARY
XBI (SPDR S&P Biotech ETF)	+30.2%	Materially outperformed all major equity benchmarks
Nasdaq Composite	+20.1%	Second-strongest of the four benchmarks
S&P 500	+9.3%	Trailing P/E of ~24.7x and forward P/E of ~20x at quarter-end
S&P 500 Healthcare	+2.1%	Lagged as managed care and services offset biopharma strength
VIX (level at June 30, 2026)	16.45	2026 average of 19.4 versus 18.9 in 2025; a sub-20 VIX is conducive to IPO issuance

Source: J.P. Morgan Q2 2026 Biopharma Licensing and Venture Report (July 2026); PitchBook Q2 2026 Global M&A Report (July 2026). Index returns are H1 2026 through June 30, 2026.

Exhibit 2: M&A Valuation Multiples – TTM as of June 30, 2026

METRIC	TTM	COMMENTARY
Healthcare – median EV/EBITDA	12.6x	Highest median multiple of any sector tracked
Healthcare – average EV/EBITDA	20.4x	Highest level in 20 years; reflects competition for de-risked clinical assets
All-sector median EV/EBITDA	10.2x	Flat versus prior quarters – pricing discipline held despite megadeal-driven value
Information technology	12.0x	Second-highest sector; still ~17% below its 2021 peak
Financial services	11.7x	
B2C	11.4x	A fresh high for the sector
B2B	8.6x	
Energy	8.0x	Lowest-priced sector; ~10% below its prior peak
Corporate-led median EV/EBITDA	9.3x	Corporate multiples firmed as strategics displaced sponsors
PE-led median EV/EBITDA	12.2x	Down from the 2024 peak of 12.9x; premium narrowed to ~3 turns from 4.6 turns
Corporate-led median EV/revenue	1.4x	
PE-led median EV/revenue	2.2x	

Source: PitchBook Q2 2026 Global M&A Report (July 2026). Geography: North America and Europe.

Exhibit 3: Healthcare Deal Momentum by Industry – Q2 2026

INDUSTRY	VALUE 3M	VALUE 12M	COUNT 3M	COUNT 12M
Pharmaceuticals & biotechnology	+224.0%	+249.4%	+7.3%	+101.8%
Healthcare devices & supplies	-8.6%	+66.8%	+37.9%	+35.1%
Healthcare technology systems	+57.1%	-36.3%	+13.8%	+15.9%
Healthcare services	-21.9%	-57.0%	-48.3%	-62.4%
Healthcare sector (aggregate)	–	–	–	–

Source: PitchBook Q2 2026 Global M&A Report (July 2026). Momentum scores measure rates of change versus the prior year. Pharmaceuticals & biotechnology posted the strongest combined score of any healthcare industry and one of the strongest across all industries tracked; healthcare services was the sector's clear drag.

Exhibit 4: Global Healthcare M&A at a Glance – Q2 2026

METRIC	Q2 2026	CHANGE
Healthcare M&A value (est.)	$165.0B	+71.6% YoY / +11.7% QoQ
Healthcare deal count (est.)	1,070	+13.0% YoY / +5.7% QoQ
Corporate M&A value	$114.9B	+105.9% QoQ
Buyout value	$33.8B	-16.2% QoQ; 61.7% below the Q2 2021 peak
Value from $5B+ transactions	$63.4B	Includes four deals above $10B
Count of $1B–$5B transactions	24	+26.3% YoY – the bolt-on range pharma favors
North American healthcare value	–	+80.5% versus Q1 2026
Global M&A value (all sectors, est.)	$1.3T	+35.3% YoY / -18.4% QoQ

Source: PitchBook Q2 2026 Global M&A Report (July 2026). Geography: Global.

Exhibit 5: Biopharma R&D Licensing – H1 2026

METRIC	H1 2026	COMMENTARY
Announced R&D licensing value	$166.7B	More than half of full-year 2025's record $271.5B
Upfront cash as a % of deal value	6%	Modestly below the 7% level of 2023–2025; structures remain milestone-heavy
Licensing deals with $100M+ upfronts	25	Already more than half the 2025 full-year total
Largest licensing deal	$18.5B	AstraZeneca / CSPC Pharmaceutical Group
Second-largest licensing deal	$15.2B	Bristol Myers Squibb / Jiangsu Hengrui Pharmaceuticals
China-origin deals ($50M+ upfront)	10 deals / $4.4B	42% of global large-cap deals with $50M+ upfronts and 68% of upfront dollars in that group
Obesity & diabetes partnership value	$22.0B	Already exceeds full-year 2025; GLP-1/GIP-targeted activity cooled to 3 deals and ~$100M
Biologics announced deal value (Q2)	$28.8B	Small molecules contributed $18.8B

Source: J.P. Morgan Q2 2026 Biopharma Licensing and Venture Report (July 2026), DealForma.com database.

Appendix (Contd.)

Exhibit 6: Biopharma Venture Funding and IPO Activity – H1 2026

METRIC	H1 2026	COMMENTARY
Venture funding	$16.3B / 235 rounds	$9.2B in Q2 – the second-largest second quarter since 2021
Implied full-year 2026 pace	~$33B	~12% YoY growth and a 13% three-year CAGR from 2023
Seed and Series A	$4.8B / 114 deals	
Series B and later	$11.5B / 121 deals	71% of capital deployed, versus 62% in 2025
Rounds above $100M	44	Plus 52 rounds between $50M and $99M
US share of global venture dollars	70%	Versus 71% in 2025 and 73% in 2024
Leading US hubs (2025–H1 2026)	SF Bay $11.3B / Boston $8.8B	US total of $32.1B out of $45.4B globally
Europe venture funding	$2.3B	Down from $3.5B in H1 2025; UK and Switzerland account for 54% of the 2025–H1 2026 total
Biopharma IPOs	$5.0B / 13 offerings	Exceeds every full-year total since 2022; 11 of 13 issuers had Phase II or later assets

Source: J.P. Morgan Q2 2026 Biopharma Licensing and Venture Report (July 2026), DealForma.com database. IPO figures cover Nasdaq and NYSE offerings above $15 million.

Exhibit 7: Pricing by Target Stage (Median)

STAGE AT SIGNING	M&A CASH & EQUITY (2021–H1 2026)	VENTURE ROUND SIZE (H1 2026)
Platform / discovery	$226M	$22M
Preclinical	$314M	$29M
Phase I	$1.0B	$40M
Phase II	$1.9B	$63M
Phase III	$3.7B	$73M
Approved	$7.3B	n/a

Source: J.P. Morgan Q2 2026 Biopharma Licensing and Venture Report (July 2026), DealForma.com database. Large-cap in-licensing median upfronts in H1 2026 reached $363M for Phase II and $700M for Phase III assets, versus $62M for platform and discovery-stage deals.

All figures are as of June 30, 2026 unless otherwise noted. Trailing twelve-month ("TTM") multiples reflect PitchBook's North America and Europe M&A dataset.

Recently Completed T&H Transactions

This announcement appears as a matter of record only

Clover Fast Food, Inc.
has completed a
private placement

Financial Advisor to Clover

This announcement appears as a matter of record only

Cygnus Medical LLC
has been acquired by
Aspen Surgical,
a portfolio company of
Audax Private Equity

Financial Advisor to Seller

This announcement appears as a matter of record only

A.S.K. Foods, Inc.
has been acquired by
Mrs. Gerry's Kitchen,
a portfolio company of
Sequel Holdings

Financial Advisor to Seller

This announcement appears as a matter of record only

Mass. Bay Brewing Co. , Inc.
has merged with
Finestkind Brewing LLC

Financial Advisor to MBBC

This announcement appears as a matter of record only

Avonix Imaging, LLC.
has been acquired by
Nikon Americas, Inc.

Financial Advisor to Acquirer

This announcement appears as a matter of record only

Indie Lee the brand
has been acquired by
American Exchange Group

Financial Advisor to Seller

This announcement appears as a matter of record only

Mariner Seafood LLC
has been acquired by
True North Seafood, Inc a part of
Cooke Inc.

Financial Advisor to Seller

This announcement appears as a matter of record only

Aqua Leisure Industries, Inc.
has been acquired by
Blackford Capital

Financial Advisor to Seller

Considering a sale, acquisition, or capital raise?

To discuss what this quarter's activity means for your business, contact Timothy Tully, President, at (617) 320-6816, ttully@tullyandholland.com or Trip Conant, Managing Director at (508) 735-2414, tconant@tullyandholland.com.

To receive our quarterly report, please visit www.tullyandholland.com.

"Over the years, we've worked on two acquisitions and the sale of two businesses. Tully & Holland was on top of the process from the beginning to the end and supplied great advice and counsel as we pursued these projects."

President & CEO

"We needed an advisor that would keep the deal moving while they looked out for our interests. Tully & Holland did a great job for us. We interviewed several banks and Tully & Holland was the best fit. They knew our industry, and had experience with the buyers."

President & CEO

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OUR TEAM

Timothy Tully
President
(617) 320-6816
ttully@tullyandholland.com

Trip Conant
Managing Director
(508) 735-2414
tconant@tullyandholland.com

Griffin Keady
Managing Director
(508) 212-8347
gkeady@tullyandholland.com

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Strategic Consulting
Related to Growth and Capital
Planning

Acquisition Advisory

Strategic Planning
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