UK biotech acquisitions: examining the conventional narrative

What the data does and doesn't say about foreign acquirers and late-stage capital

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Introduction

UK life-sciences policy has increasingly converged on the view that British biotech startups are acquired by foreign buyers too often, and that the underlying cause is a shortage of late-stage growth capital. This concern has become central to broader debates about whether the UK captures sufficient value from its world-leading science base.

Using granular data on venture capital-backed biotech startups from multiple countries, we examine startup outcomes across Europe and North America between 2006 and 2025. We find a more nuanced picture than the conventional narrative suggests. Acquisition rates of UK biotech startups are not unusual by international standards, and the high share of foreign acquirers is largely a mechanical consequence of the UK's relative size within a global industry. Greater capital availability is associated with more IPOs, consistent with capital enabling more standalone businesses, but it is also associated with *more* acquisitions, not fewer. This suggests that simply increasing late-stage capital is unlikely, by itself, to materially reduce foreign acquisition rates.

Separate from this analysis, we discuss structural factors in the pharmaceutical industry that are likely to continue driving robust M&A activity in the coming decade. To understand whether the UK captures sufficient long-term value from the global biotech ecosystem, we point to important research questions whose answers can help policy makers make more informed decisions to support this important sector of the UK economy.

Acquisition is the norm in biotech, and cross-border acquisition is the norm in Europe

Our analysis is based on the universe of global venture capital-backed biotech startups, as reported by the data provider *PitchBook*. This dataset focuses only on the subset of biotech ventures that have received venture capital. However, given the important role that VC plays in this industry, particularly with the most impactful startups, it has the benefit of being able to put the UK startup's outcomes in international

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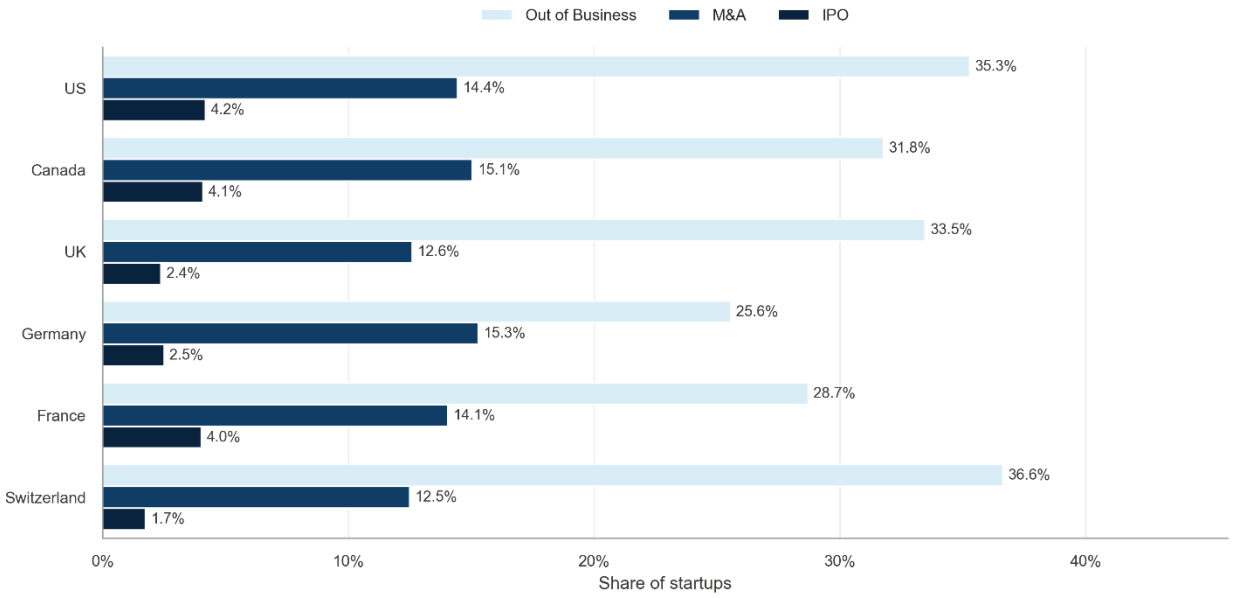
perspective. As we show, this is key given how dominant cross-border acquisitions are in this industry. Our analysis focuses on the US, Canada and the largest European biotech ecosystems (UK, France, Germany and Switzerland). The approximately 10,000 biotech startups in these countries comprise over 60% of the ventures in our data and over 90% of the ventures in Europe and North America.[2]

Figure 1: Acquisition, IPO, and failure rates for biotech startups across selected countries



Notes: Sample includes startups headquartered in the US, Canada, UK, Germany, France, or Switzerland. Rates are calculated as the number of unique startups with each outcome divided by all unique startups in that headquarter (HQ) country. M&A and IPO use the original PitchBook outcome field. Out of Business includes out-of-business outcomes labelled by PitchBook, business statuses containing out-of-business or bankruptcy, and firms with no completed fundraising for at least two years as of the latest observed deal date and no revenue-generating business status.

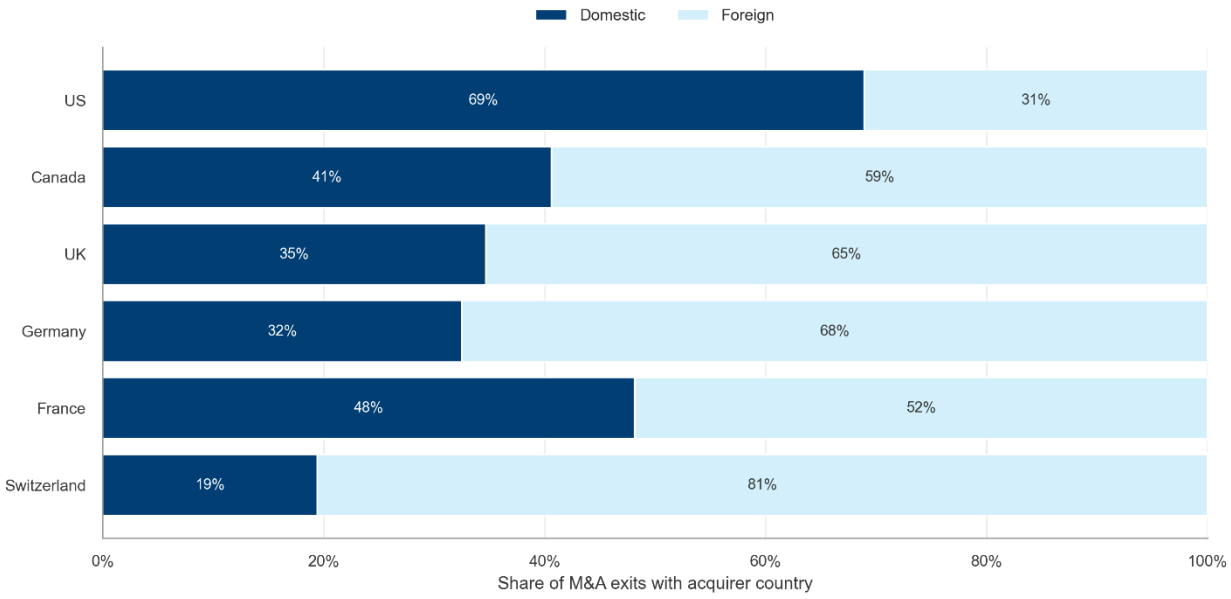
Figure 1 documents the share of ventures that were acquired over this period. It highlights that acquisitions not only dominate successful exits across Europe and the US, but that the share of acquisitions is very similar across countries, ranging between about 12.5% for Switzerland and the UK and 15% for Germany. Looking only at startups first financed between 2006 and 2015 (a cohort old enough for more outcomes to have been realised), acquisition rates cluster around 20%. Failures (out of business rates) are similarly clustered, which suggests that on average, the dynamics of growth and exit in the UK is similar to those in other countries.

These numbers should not come as a surprise. Pharmaceutical company acquisitions are related to the match between their pipeline needs and the startup's focus. For a startup (and its VC investors), being an attractive acquisition target for *multiple* potential buyers who compete with each other is key to ensuring

[2] Other important biotech ecosystems are China, India, Japan and South Korea. Given the very different contexts, we do not focus on these countries in our analysis.

that it can get the best exit price. VCs actively work to understand the pipeline needs of pharmaceutical companies so as to build ventures that will attract interest from multiple acquirers. Without such assurance, they will pass on investments that may have the potential to create enormous value, but where the value will disproportionately be captured by the acquiring company due to negotiating power in an acquisition. As seen in the bidding war between Novo Nordisk and Pfizer for Metsera – finally acquired at $10 billion – interest from multiple buyers can have a big impact on the returns captured by the startup and its investors.

Figure 2: Share of domestic vs. cross-border acquisition of biotech startups



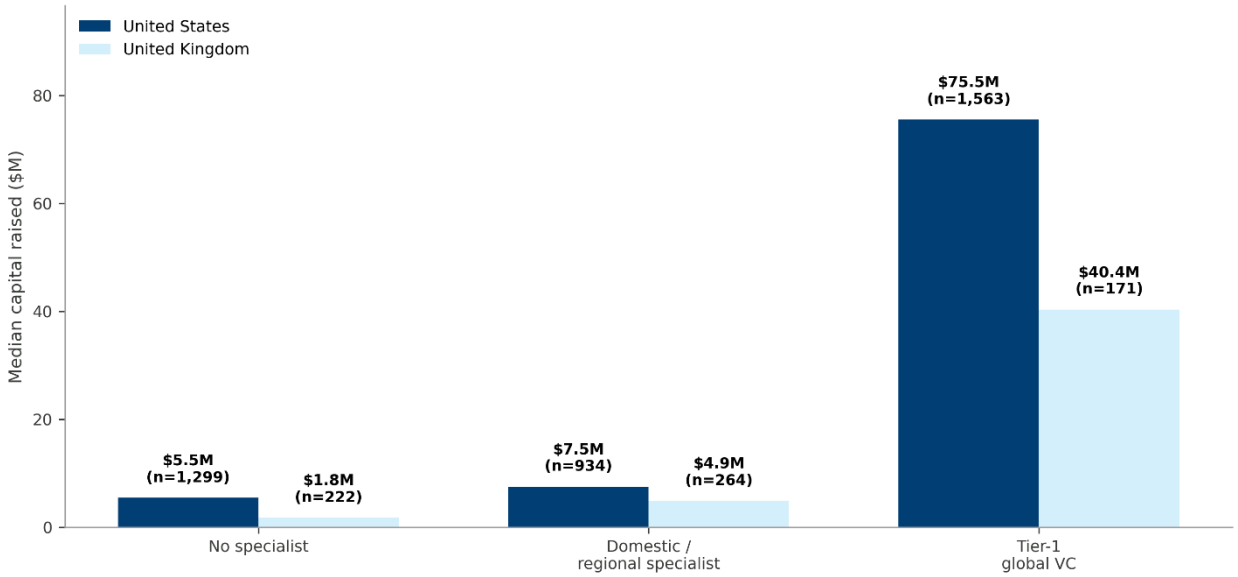
Notes: Sample includes startups headquartered in the US, Canada, UK, Germany, France, or Switzerland with an M&A outcome and a non-missing acquirer country. Domestic acquisitions are those where the acquirer country matches the startup headquarter country; all other known acquirer countries are classified as foreign. Shares are calculated within each startup headquarter country.

Within this context of a global industry, the fact that most acquirers of UK biotech startups are foreign is largely an arithmetic consequence of the share of acquisitions made by UK pharmaceutical firms. Acquisitions by UK headquartered pharmaceutical companies account for 6% of all M&A activity in the data, compared to 50% for US headquartered pharmaceutical companies. It should not be surprising that most acquisitions of UK biotech startups are foreign. Figure 2 shows that 65% of UK ventures were bought by foreign acquirers. Across Europe as a whole, 66% of biotech acquisitions go to foreign buyers, essentially identical to the UK figure. Switzerland is home to Roche and Novartis, two of the world's largest pharmaceutical acquirers, yet 81% Swiss biotechs are acquired by foreign buyers, because Roche and Novartis themselves acquire globally.

UK biotechs raise less, but better funded startups are *more* likely to be acquired

It is well documented that UK biotech startups raise less funding than their US counterparts. The data show this is true at *all* stages of clinical progression and is not just a late-stage phenomenon. The data also show that the amount of funding and related successful outcomes such as IPOs and M&A are strongly related to the 'type' of VC investor that is involved in the early rounds of financing. For the analysis in Figures 3 and 4, we classify the VCs involved in the early rounds of biotech startups into three categories: (1) 'Tier 1' global investors: those with large funds that invest globally and regularly syndicate with cross-over investors in later stages; (2) domestic/regional specialists: those that routinely invest in biotech, but are largely focused on the domestic or regional markets in terms of their deal flow and syndication often with smaller funds; and (3) generalists: those seen to make ad hoc investments in biotech startups.[3]

Figure 3: Financing raised by US and UK biotech ventures, by investor type



Notes: Sample includes US and UK startups with an observed linked early-round investor class. Early-round investor classes include Angel, Seed, and Early-Stage VC rounds. Investors are classified into Global Tier 1 VC, Domestic Specialist vs. General based on manual coding. Bars show the median Total Raised among startups with non-missing total capital raised in each country-investor-class group. Labels report the median amount in USD millions and the number of startups with non-missing Total Raised.

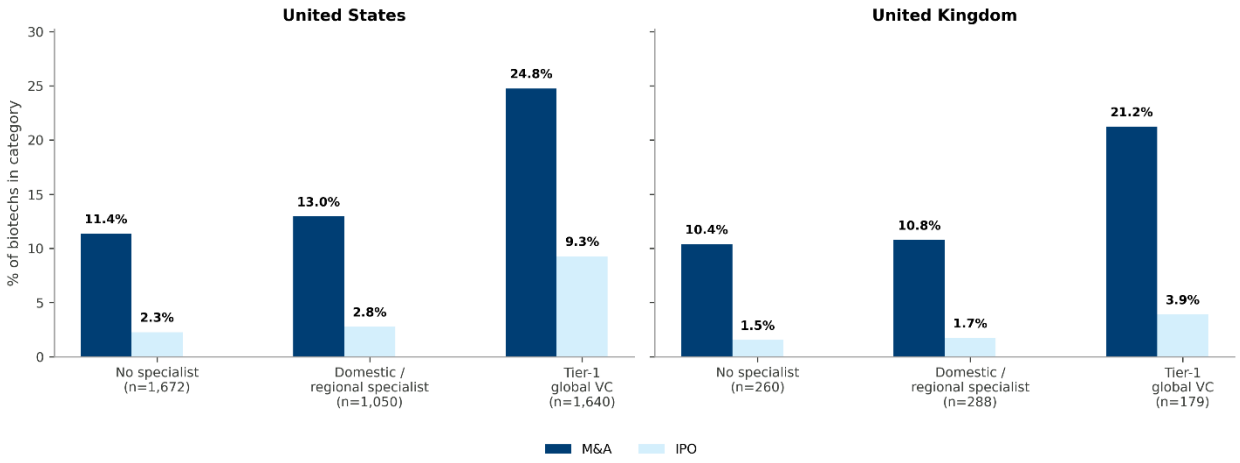
Figure 3 shows the well-known patterns that UK biotechs tend to raise less capital than US peers. The median capital raised by US biotechs backed by Tier-1 global VCs is $75.5 million compared to $40.4 million for UK peers with comparable investors. The funding gap is smaller in absolute terms for those backed by regional specialists but similar in proportion: $7.5 million in the US, $4.9 million in the UK. What

[3] In the UK context examples of Tier-1 global investors (not exhaustive list) are Abingworth, F-Prime, Sofinnova, SV Health and Syncona, while regional specialists include firms like Mercia Asset Management, Octopus Ventures, Parkwalk Investors, and Scottish Enterprise.

is striking, however, is that the differences between investor types is, as if not more prominent than the difference between the US and UK. Startups backed up Tier-1 investors raise 8-10 times as much money as those backed by domestic specialists and about 15-20 times as much money as those backed by generalist VCs – in *both the US and UK*.

Figure 4 documents that startups backed by Tier-1 investors are associated with substantially higher rates of an IPO but also *higher* rates of acquisition in both the UK and the US. In fact, Tier-1-backed biotech startups are roughly twice as likely to be acquired as those backed only by domestic specialists, in both the US (24.8% versus 13.0%) and the UK (21.2% versus 10.8%).[4]

Figure 4: M&A and IPO rates by investor type, US and UK



Notes: Same sample as Figure 3. Outcome rates are unique startups with M&A, IPO, or enhanced Out of Business outcomes divided by all startups in each country-investor-class group.

Figures 3 and 4 raise many questions: One set of questions pertain to the difference in outcomes between investor types. Startups backed by Tier-1 investors are much more likely to have a positive outcome than startups backed by other investor types. Are these differences due to the types of startups the different investors back or the value they add through the money and support they provide? If the differences stem from the types of startups they back, are they driven by differences in their portfolio strategies, differences in their selection and diligence skills or differences in their ability to win access to the best deals? If it is value add, how much of this is the money itself vs. the fact that on average, investors that are more qualified and generate better returns are also likely to raise larger funds and syndicate with

[4] It is also not obvious that more capital will mechanically lead to later stage acquisitions. Among 403 US tier-1-backed M&A exits, 13% occurred at pre-clinical or startup stages and a further 16% during clinical development. Many of these sales likely occur because the strategic logic of the deal makes selling rational for buyers, founders, and syndicates.

global top tier VCs? Understanding the answers to these questions is important because the policy responses to these differences are likely to be very different.

A second set of questions pertain to why IPO rates are systematically lower in the UK, even among startups backed by Tier-1 investors. Of course, an IPO doesn't necessarily imply that a startup is more likely to maintain a presence in the UK, particularly as many ventures go public on a path to being acquired. Even as a standalone public company, a NASDAQ IPO is often seen as the preferred route for the most promising startups due to the higher valuations at which financing can be raised. Understanding the decision to go public in the UK or abroad and the longer-term outcomes of these decisions will contextualise the implicit assumption that not being acquired leads to higher likelihood of a biotech venture successfully growing in the UK.

Regardless of the answers to these questions, one important implication is the need to develop a strong pipeline of biotech VC talent in the UK. A strong investor base will make it more likely that startups built in the UK can create and capture the value of the underlying science. In this regard, Imperial is proud to be contributing to developing the UK's biotech VC talent pipeline through the Science and Technology VC Fellowship, which is delivered jointly by Imperial and the Royal Academy of Engineering.

Looking ahead to the next decade, acquisitions of biotech startups are only likely to intensify. This is because the pharmaceutical industry is entering the largest patent cliff in its history. It has been estimated that over $250 billion of revenue will be exposed to loss of exclusivity between 2025 and 2030, with roughly 70 blockbusters going off patent; Keytruda alone, at approximately $30 billion in 2024 sales, represents the largest single-product revenue exposure in pharmaceutical history. The exposure is concentrated in pharmaceutical companies such as Pfizer and Bristol Myers Squib who have older portfolios. Given the high quality of UK science, this creates enormous opportunity for UK biotech ventures to generate returns from the resulting companies that are built.

The deeper question of who benefits

UK biotech acquisition rates are typical and the foreign-acquirer share is structural. Backing from investors with capital is correlated with more IPOs but also higher M&A activity. Yet these facts don't fully address the underlying sentiment in the argument about UK startups getting acquired by foreign companies: that the UK is not getting its fair share from the value that is generated from its science. Three groups of stakeholders are typically conflated in these commentaries and the related policy debate. We believe they should be distinguished and considered separately.

Patients: The high cost and failure rates associated with developing new therapeutics implies that financial returns from successful drugs need to be large enough for companies to make risky investments in the

first place. The number of patients who can benefit from a therapeutic plays an important role in determining potential financial returns (as can be seen from incentives needed to develop so called "orphan drugs").[5] The price at which these drugs can be sold while they are protected by patents plays an equally important role. Due to the high drug prices paid by US patients (through their health insurance) if a drug gets FDA approval, the US pharmaceutical market accounts for the majority of branded-drug revenue worldwide. The promise of this revenue means acquirers can afford to pay the high prices for startups noted above and in turn, the potential for high return makes VCs willing to finance the extremely high-risk ventures translating science into therapeutic solutions. This innovation pipeline is an integral part of a larger ecosystem that creates a way to translate and develop scientific research that has huge benefit for humanity.

Given the paucity of healthcare solutions for conditions impacting large groups of people in developing countries that are not shared by the US population, one should not underestimate this role that the US market plays in enabling such innovation in the first place. It also means that countries whose populations have similar diseases as the US but pay lower prices than the US stand to benefit the most. UK patients receive the medicines through the NHS at a fraction of US prices even for on-patent drugs. Roughly 85% of NHS prescription volume is accounted for by generics and biosimilars — medicines whose patents have expired. Many of these were likely also enabled by the potential for on-patent sales in the US and may never have come to market without the high prices paid in the US while they were patent-protected. In this important sense, the UK is a huge beneficiary of the system the conventional narrative treats as extractive.

Investors: As discussed above, raising larger domestic VC funds to support scale-up funding requires a deep pool of domestic investing talent. Being better capitalized and supported by experienced investors increases the negotiating position of startups during an acquisition, enabling startups and VCs to capture a larger share of the acquisition value. This is a key rationale for having larger late-stage funds and growing the pool of domestic investing talent.

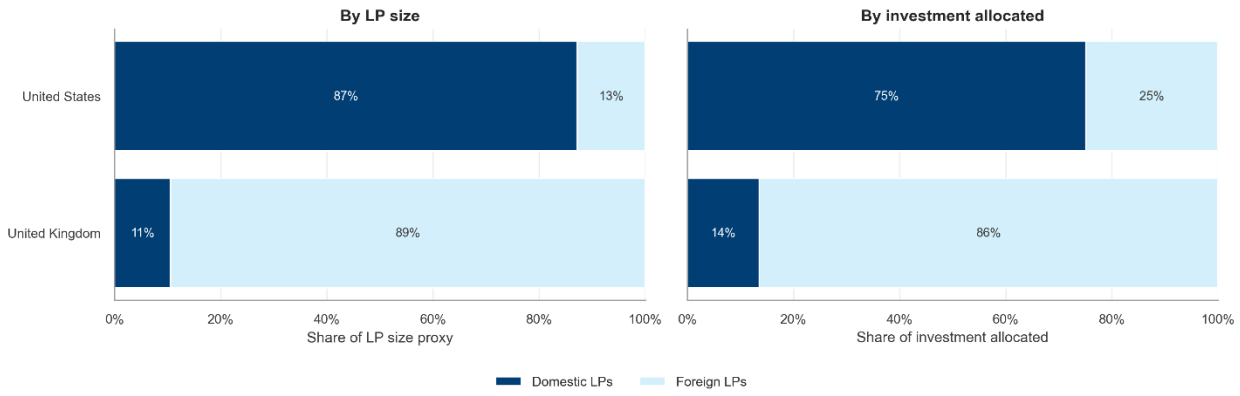
While the immediate beneficiaries of any biotech acquisition are the startup's management and the venture capital funds that backed the startup, their ultimate beneficiaries are the limited partners (LPs), who funded the VCs. These LPs often comprise endowments, pension funds, family offices and sovereign wealth funds – institutional investors that support venture capital as an asset class to generate returns for their stakeholders.

[5] "Orphan Drug" designation of diseases benefit small population shares; the name arises from the fact that because these diseases affect small patient populations, they are "orphaned" by pharmaceutical companies, due to the fact that they are not profitable to develop without special incentives.

To understand the composition of UK vs. US biotech investors, we link the names of the investors in biotech startups to their limited partners. Since the actual commitments from LPs to venture capital funds are not available in every case, we estimate the share of a VC's fund that is comprised by domestic vs. foreign LPs. As seen in Figure 5, the UK's domestic LP base is small relative to the US, which is one reason UK-domiciled venture funds have historically had to look abroad for capital. An implication of this is that even if VCs invest in UK biotech startups that remain in the UK, the returns from this success are most often captured by foreign endowments and pension funds and do not necessarily benefit the UK population.

The Mansion House compact aims to shift this dynamic by mobilising UK pension capital into venture funds. However, implementation quality matters. Venture returns are highly dispersed, and access to top-performing funds is critical. For example, the best performing funds are unlikely to all be British so mandating investment into British VCs can backfire. Similarly, if pension funds prioritise low fees as the criteria for investment, they risk facing adverse selection in terms of the funds they can access, with implications for the returns to their stakeholders. It is therefore important to understand how returns vary within and across the different types of fund categories noted above and how these are correlated with other assets in the institutional investors' portfolios. This will help to quantify the expected benefit to pensioneers from such asset allocation decisions and move away from a binary debate about whether pension funds should or should not invest in venture capital.

Figure 5: Estimated share of LP commitments that are domestic vs. foreign, for US and UK biotech VCs



Notes: Sample links UK/US biopharma startups to PitchBook financing deals, deal investors, and LPs. LPs with unknown location are excluded. Domestic LPs are US LPs backing US startups or UK LPs backing UK startups; all other known LP locations are foreign. "By LP size" weights LPs using Total Commitments. "By investment allocated" allocates each observed investor investment amount across that investor's linked LPs in proportion to Total Commitments where available, otherwise equally.

Jobs and capability: The most economically meaningful question, on which there is little research, concerns what happens to the team, the research operation, the underlying capability and re-investment into the broader ecosystem after a UK biotech is acquired. Some acquisitions preserve and expand UK

operations; others reduce them within months. Successful exits can also drive greater ability to raise and deploy further venture capital, which builds a vibrant ecosystem and crowds in high quality talent across universities and investors. To our knowledge, there is no systematic tracking of post-acquisition employment, capital expenditure, clinical-trial siting, or intellectual-property location at acquired UK biotech startups. Filling this gap would substantially inform the policy debate.

Conclusion

The dominant UK narrative treats foreign acquisitions of UK biotech ventures as a problem caused by insufficient late-stage capital and solvable through larger domestic growth funding pools. While we wholeheartedly agree with the goal of developing a larger domestic pool of biotech VC in the UK, our analysis also suggests this is unlikely to reduce cross-border biotech acquisitions.

UK biotech acquisition rates are typical of advanced biotech ecosystems and similar to those observed in the US. High foreign-acquirer shares are largely explained by the UK's relative size within a global market. Greater capital availability is associated with more IPOs but is also associated with higher acquisition rates in both the UK and US. This suggests that simply increasing late-stage capital is unlikely, by itself, to materially reduce foreign acquisition rates.

Our findings suggest that UK policy focus on ensuring that successful UK biotech ventures generate durable domestic benefits through retained employment, research capability, reinvestment, and financial participation. In our view, the important policy-relevant questions are therefore more specific than current headlines suggest. What share of acquired UK biotech operations remain in the UK after acquisition or IPO? How do these outcomes vary by investor type, exit route, and subsector? How might deepening the pool of biotech investing talent in the UK impact these outcomes? Answering these questions would move the debate beyond symbolic concerns about foreign ownership toward the more substantive issue of how the UK participates in and benefits from the global biotech industry.