EY Biotech Beyond Borders Report 2025

Texas Edition

Produced by EY Insights

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Contents

Year in review

The 35th edition of our annual global EY Biotech Beyond Borders Report finds the biotech sector combatting challenges from an industry level and a broader economic perspective. Access to capital, which is essential for the lifeline of entities in the industry, continues to be constrained, whether from dilutive financing offered by venture capital firms, family offices or angels, or non-dilutive grants offered by the National Institute of Health (NIH) or Advanced Research Projects Agency for Health (ARPA-H). Meanwhile, macroeconomic factors negatively impacting market activity have meant an IPO window that has been largely closed. A recent historic change in US policy also has companies navigating shifts to the regulatory landscape, including uncertainty around tariff policies and changes to federal funding that could impact early-stage funding.

The last 18 months have looked very different than industry forecasts in the 2024 report. At that time, there was an expectation of interest rate cuts by the Federal Reserve to free up capital and open up the deal market. There were also expectations from industry leaders around a then-potential second Trump administration that could result in loosened oversight from the Federal Trade Commission (FTC). Although some rate cuts and a Trump presidency both came to fruition, the expected uptick in deal activity did not materialize.

Specifically, Big Pharma largely refrained from large-scale M&A, opting instead for smaller, more strategic deals. While M&A volume between pharma and biotech was down only slightly — 54 deals in 2024 vs. 61 for 2023 — deal value dropped dramatically to $77 billion in 2024 from $153.5 billion in 2023. Beyond Borders data only looks at deals between pharma and biotech or biotech and biotech, excluding deals that occur between two pharmaceutical companies. It also excludes M&A under $100 million. The decrease in deal value can be attributed to a lack of large deals in 2024, a trend that has continued in the first half of 2025.

Further, changes at the U.S. Department of Health and Human Services (HHS), including staff and budget cuts at both the U.S. Food and Drug Administration (FDA) and the NIH, have left the industry wondering how innovation will be impacted by shifts in funding and regulation.

The uncertainty in the biopharma community is echoed across all industries, as business leaders begin to adjust outlook and strategy to operate in a continuously changing environment.

While regulatory and funding uncertainty has increased in the first half of 2025, certain financing trends continue to exhibit industry stability with signs of future opportunity. Following recent record financing highs during the pandemic, biotech experienced a down cycle with financing lows in 2023. In 2024, US and European venture capital raised by biotechs was above pre-pandemic levels and nearly reached levels seen in the boom year 2021. US and European public biotech revenues grew 6.8% year over year to $205 billion. Public company revenue over the last four years was nearly $50 billion more annually than in the four years prior. Despite growth, many emerging or early-stage biotechs are struggling. A clear picture of haves and have-nots has persisted, with only a small number of companies having access to capital while others need to cut costs and create operational efficiencies.

Texas-based biotechs experienced a decrease in funding from $1.5 billion in 2023 to $761 million in 2024 (with little to no IPO activity in those years). However, positive early trends in the first half of 2025 indicate the Texas market may continue to mirror the financing environment of the global biotech sector, as venture capital, debt and follow-on funding for the first half of 2025 were $600+ million, already nearing total levels seen in 2024. Yet, financing levels for private companies continue to be below those seen prior to the pandemic. This tight financing environment, dominated by a small number of standout companies, means Texas biotechs need to focus on how to stretch funding to the next milestone.

For most companies, that is going to mean focusing on the fundamentals, chasing innovative science, achieving strong clinical trial results and testing new modalities, while also keeping costs low, outsourcing to third parties and employing artificial intelligence (AI) wherever possible.

While it's unclear when the IPO window will open back up or when companies will start dealmaking again, we believe that investing in AI across the value chain — from supply chain to manufacturing to drug development to back-office functions and even commercial — is a necessary move. AI will continue to be an integral part of the future business landscape.

Looking ahead to 2026 and beyond, the Texas biotech sector continues to find a sense of cautious optimism, as companies navigate through macroeconomic uncertainty while continuing to focus on innovation to attract needed capital to fund business priorities. Signs of renewed financing — as seen by several Texas companies over the last 18 months — suggest that, despite this ongoing unpredictability, Texas companies are well-positioned to seize emerging possibilities as the landscape evolves. This report offers an in-depth exploration of the current environment — marked by both uncertainty and promise — and sets the stage for Texas to thrive as these new chapters unfold in the biotech story.

Navigating the numbers

Financial health and headwinds for Texas biotechs

Texas biotech at a glance (US$m)

	2023	2024	Q1 2025	Change (2023-24)
Revenues	$324.3	$411.7	$97.4	27.0%
R&D expense	$875.7	$529.6	$113.2	(39.5%)
Net income	($1,438.6)	($723.4)	($213.9)	(49.7%)
Market capitalization	$4,144.5	$2,324.5	$1,824.5	(43.9%)
Number of employees	1,681	1,403	874	(16.5%)
Financing, as of H1 2025				
Capital raised by public companies	$937.5	$554.8	$872.8	(40.8%)
Number of IPOs	0	2	1	-
Number of companies, as of H1 2025				
Public companies	26	22	21	(15.4%)

Sources: EY Insights analysis, Capital IQ and company financial statement data.
Numbers may appear inconsistent because of rounding.

Public biotech revenue in Texas increased in 2024 – similar to the broader sector – with companies reporting an increase of 27% compared with 2023, and signs of similar increases in 2025.

As a microcosm of the broader biotech sector, Texas biotechs are experiencing many of the same trends and challenges. Public biotech revenue in Texas increased in 2024 – similar to the broader sector – with companies reporting an increase of 27% compared with 2023, and signs of similar increases in 2025. Many publicly traded Texas biotechs continue to focus on the advancement of their R&D efforts and, therefore, remain pre-revenue. In 2024 and 2025, some of the revenue growth for Texas biotechs was attributed to collaboration and alliance deals, like that of Lexicon Pharmaceuticals, Inc., which entered into two separate licensing agreements for both US-approved and pipeline drugs for an incremental $70 million in up-front payments. While the number of public Texas biotech companies has decreased from 2023, it is worth highlighting the increased investment in the first half of 2025, which surpassed 2024 and is on track to meet or exceed 2023 levels.

Since a significant number of biotechs represented in the global report are in the commercial stage, they are grappling with the uncertainty tariffs pose to their supply chains. While Texas biotechs are largely in preclinical and clinical stages, they may be less affected by the global shifts in trade policy currently impacting the business community at large, though still focused on the impact for imported active pharmaceutical ingredient (API), especially on tightened budgets.

For these earlier stage companies, questions around non-dilutive funding have intensified since the current administration began cutting funding to the NIH in April 2025, resulting in canceled, reduced and/or frozen current and ongoing grants. The NIH is the biggest public funder of biomedical research in the world and awarded nearly $37 billion in research grants in 2024. These grants serve as a major financial resource for many early-stage biotechs, including those in Texas. Since 2019, in excess of $10 billion in grants have been awarded from the NIH to the Texas region for biotechs and academic centers. In 2024 alone, Texas institutions received $1.9 billion across 3,680 awards. Texas life sciences businesses also received another $42.3 million in Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants in 2024.

Along with federal budgetary cuts to the NIH, proposed budget cuts are being made to staffing at the FDA. In fact, HHS Secretary Robert F. Kennedy, Jr. says he expects to cut 20% of the staff at the FDA. This has raised concerns about the regulatory process – particularly for smaller companies that don't get the same resources and need more guidance than their Big Pharma counterparts.

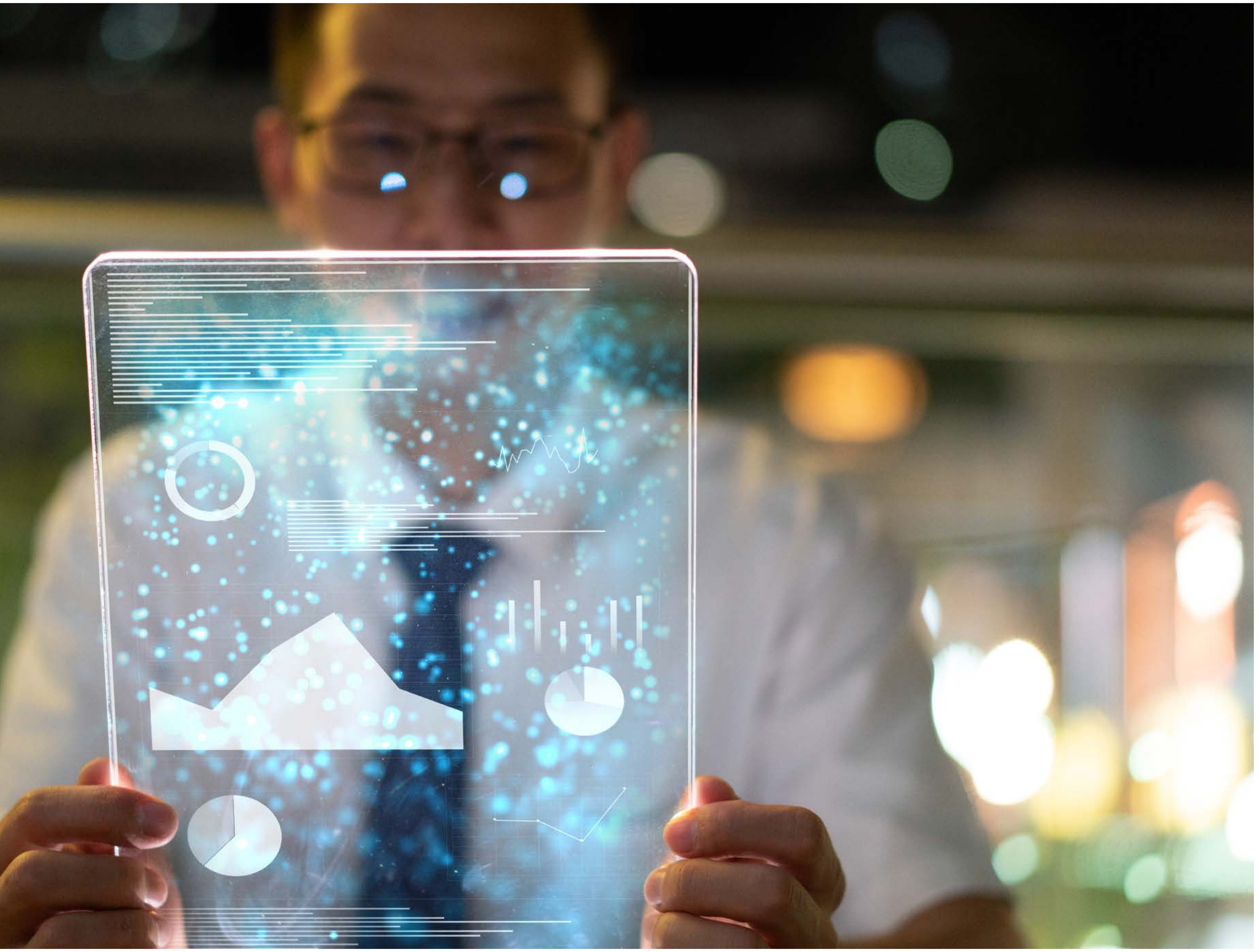
While federal funding has seen some level of cuts or proposed cuts, Texas biotechs continue to be eligible to receive funding from the Cancer Prevention and Research Institute of Texas (CPRIT), a state agency designed to create and expedite innovation in cancer research. From January 2024 through May 2025, CPRIT granted over $425 million to Texas research entities, including over $80 million going to product development research (amounts include grants that are pending contract negotiations). CPRIT grant funding was over $275 million in 2023, with over $120 million going toward product development research.

$1.9b

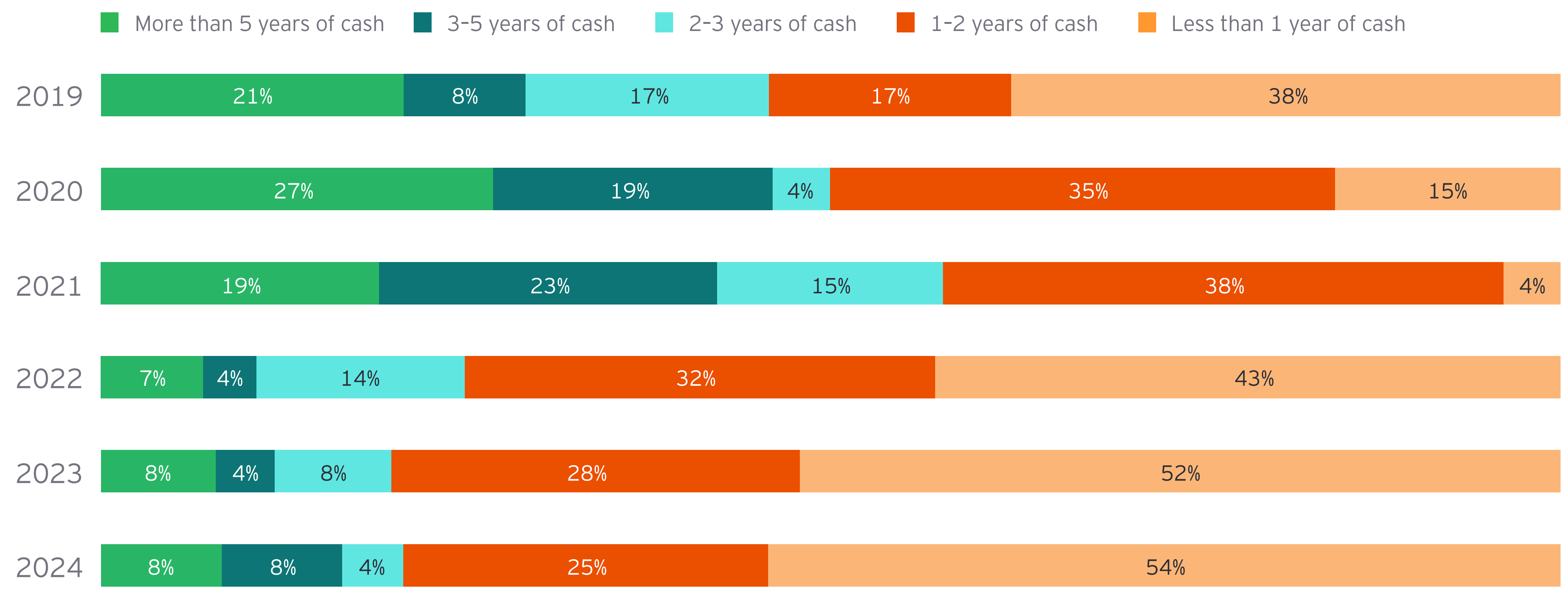
Amount of grant funding received by Texas institutions from the NIH in 2024.

Biotech on a budget

Navigating narrow cash runways



Biotech survival index, 2019-24



Sources: EY Insights analysis, Capital IQ and company financial statement data.
Chart shows percentage of biotech companies with each level of cash. Numbers may appear inconsistent because of rounding.

Increased uncertainties in the macro environment not only has Big Pharma staying on the M&A sidelines (which reduces exit strategies for smaller biotechs), but also has most investors being more cautious about where they make their investments. Nearly 40% of US and European biotechs have less than one year of cash on hand. Another 20% have less than two years of cash. Biotech companies are now having to make funds last longer between raises or inflection points. The sector is seeing a pullback from the extravagance of the boom years and a greater focus on fundamentals. Companies are now required to focus more on capital and operational efficiency.

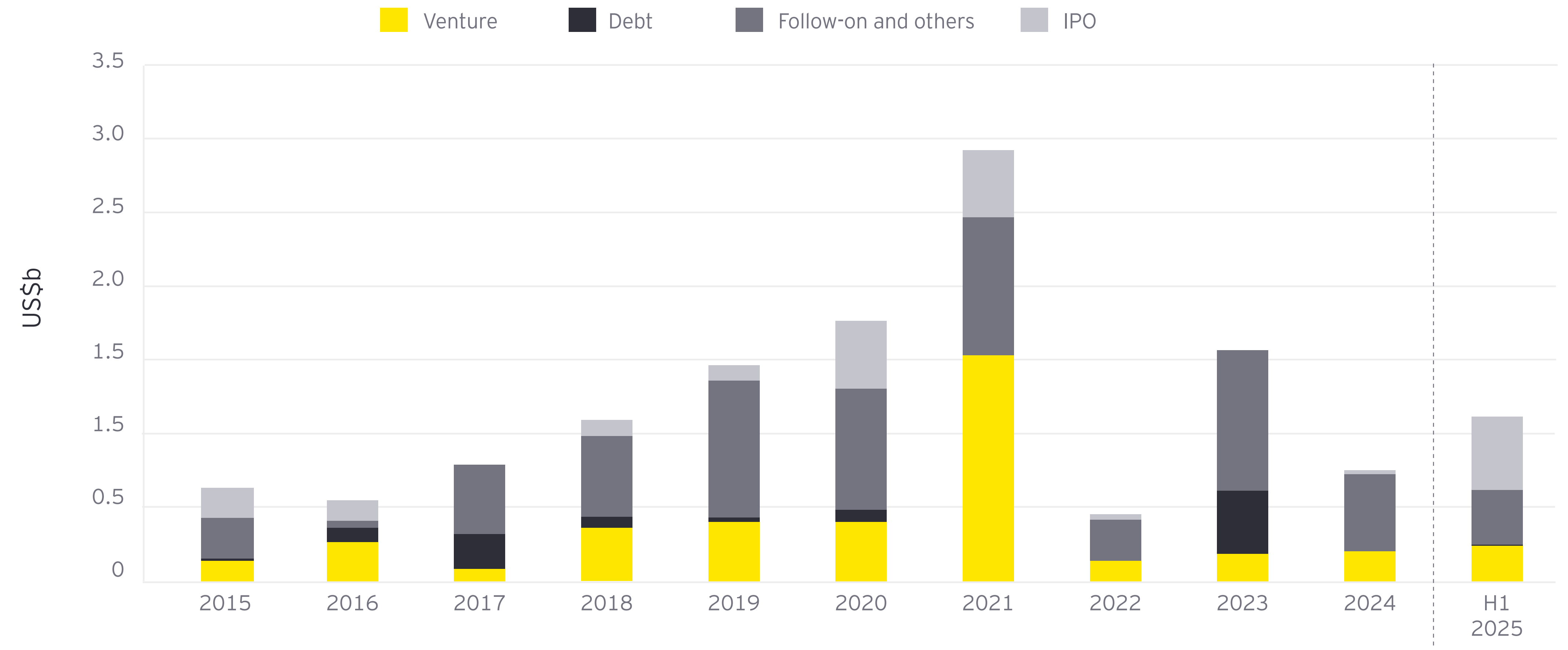
For Texas biotechs, these numbers look even more stark. As reflected in the chart above, more than half of the public biotechs based in Texas have less than one year of cash and another 25% have less than two years of cash on hand. The percentage of biotechs with less than one year of cash has steadily increased since 2021.

Looking forward, companies will need to focus on fundamentals to bounce back in an uncertain business environment. In the EY Biotech Beyond Borders Report, we explore the shifting business landscape in more depth and focus on strategies that can help companies navigate these critical times, including:

- **Navigating deglobalization:** How should companies think about supply chain networks, manufacturing and workforce in a rapidly deglobalizing world? What tax strategies can help soften the impact of a trade war?
- **Rethinking capital allocation:** How have companies been spending their cash on hand over the last 18 months? What capital investments make sense in this changing business landscape?
- **Portfolio prioritization:** Given the cash crunch, how can biotechs prioritize their most promising clinical assets over others to better enable an efficient use of capital until their next value inflection point?
- **Creating operational efficiency:** How can biopharmas improve their operational efficiency and contain costs in the new economic climate? How can technology such as AI shift costs?

Yearly trends in Texas biotech financing

Biotech financing slowed down in 2024 through follow-on and debt
Capital raised in Texas, 2015-H1 2025



Sources: EY Insights analysis, Capital IQ and VentureSource.

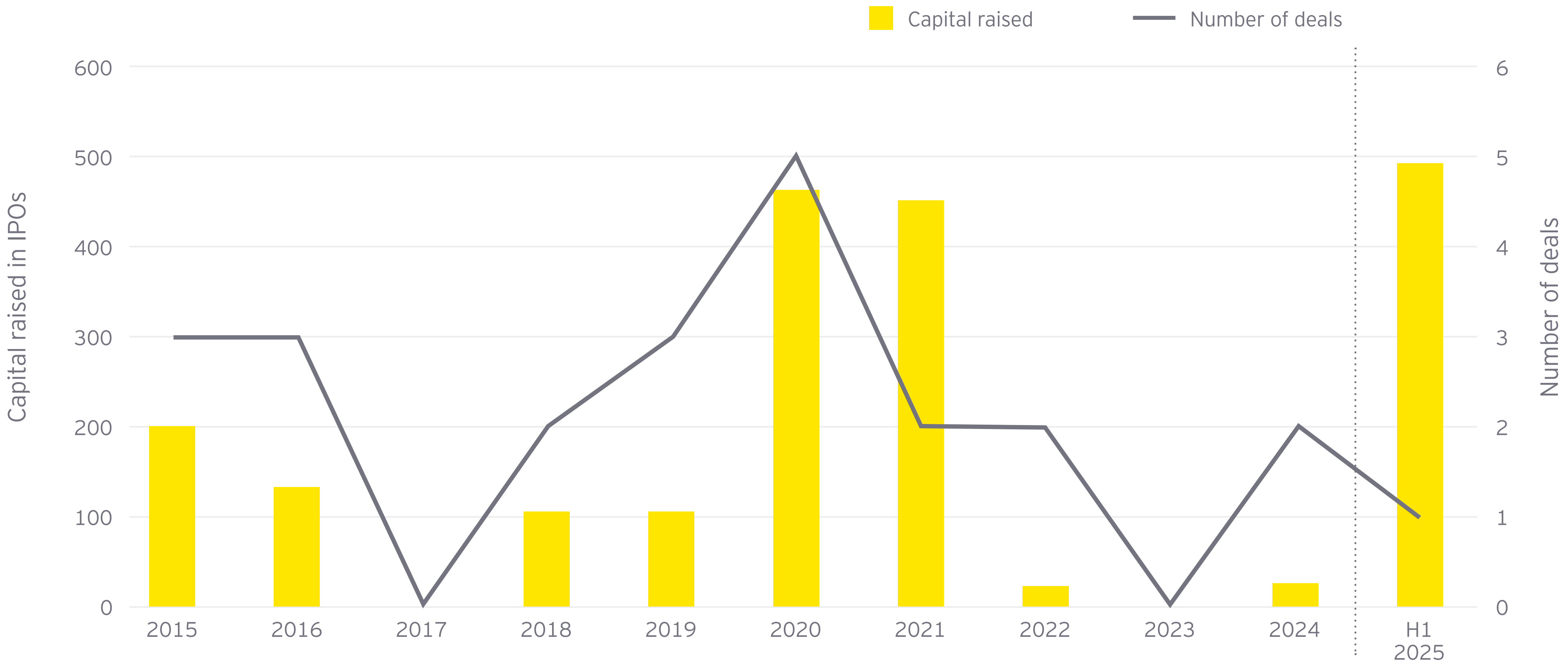
Similar to the broader biotech landscape, Texas saw a slight increase in venture funding to private companies in 2024, but a decline in follow-on and debt financing for biotechs. The increase in venture funding is promising and often serves as an indicator of investors showing interest in the sector. Public market financing has been largely constrained due to the broader uncertainty in the economy and not necessarily based on sentiment around the industry.

Lone Star listings

Texas biotech IPOs gain ground

The broader IPO market has not been booming, despite a slight uptick in 2024. There were 30 IPOs in 2024 of US and European biotechs, raising an aggregate of about $4 billion. This activity was a 39% increase from the $2.9 billion raised by 18 companies going public in 2023 and up from the $1.5 billion raised in 2022. Despite the significant increase over the two prior years, IPOs are still well below the 10-year average of 54 annually from 2010 to 2020. The IPO market seemed like a glimmer of hope in early 2024, but the flood of IPOs that was expected after the Federal Reserve lowered interest rates in September 2024 failed to materialize. Some industry watchers thought money would start flowing after the US presidential election in November 2024, but once again, IPOs failed to pick up. In 2025, the IPO backlog continued to increase. Companies that are able to obtain late-stage financing are doing so rather than risking the volatility of trading on the open market, if an IPO is even an option. Some companies in the IPO queue continue to seek opportunities to partner with Big Pharma and look for sources of alternative funding such as sales of future royalties, and they are taking a much closer look at cost reduction opportunities.

Texas biotech IPOs, 2015–H1 2025



Sources: EY Insights analysis and Capital IQ.

Specific to Texas, five IPOs have occurred following the boom years of 2020-21, with three of those in the past 18 months, raising over $520 million. There were only 39 US and European IPOs in that same period, with Texas having only 8% of biotech IPOs.

That percentage increases when looking at just the first half of 2025: there have been nine biotech IPOs of US and European companies (seven in the US) in the first half of 2025, of which one (and the largest) is Caris Life Sciences. Based in Texas, Caris is a patient-centric AI TechBio and precision medicine company offering proprietary molecular profiling solutions, powered by one of the largest multi-modal clinico-genomic oncology datasets—built from over 6.5 million tests across 849,000 cases and 38 billion molecular markers.

In mid-June, Caris raised $494 million in its IPO of approximately 23.5 million shares at an offering price of $21 per share. The IPO was above the proposed range of $16- $18 per share that the company had expected, as per their U.S. Securities and Exchange Commission (SEC) registration statement.

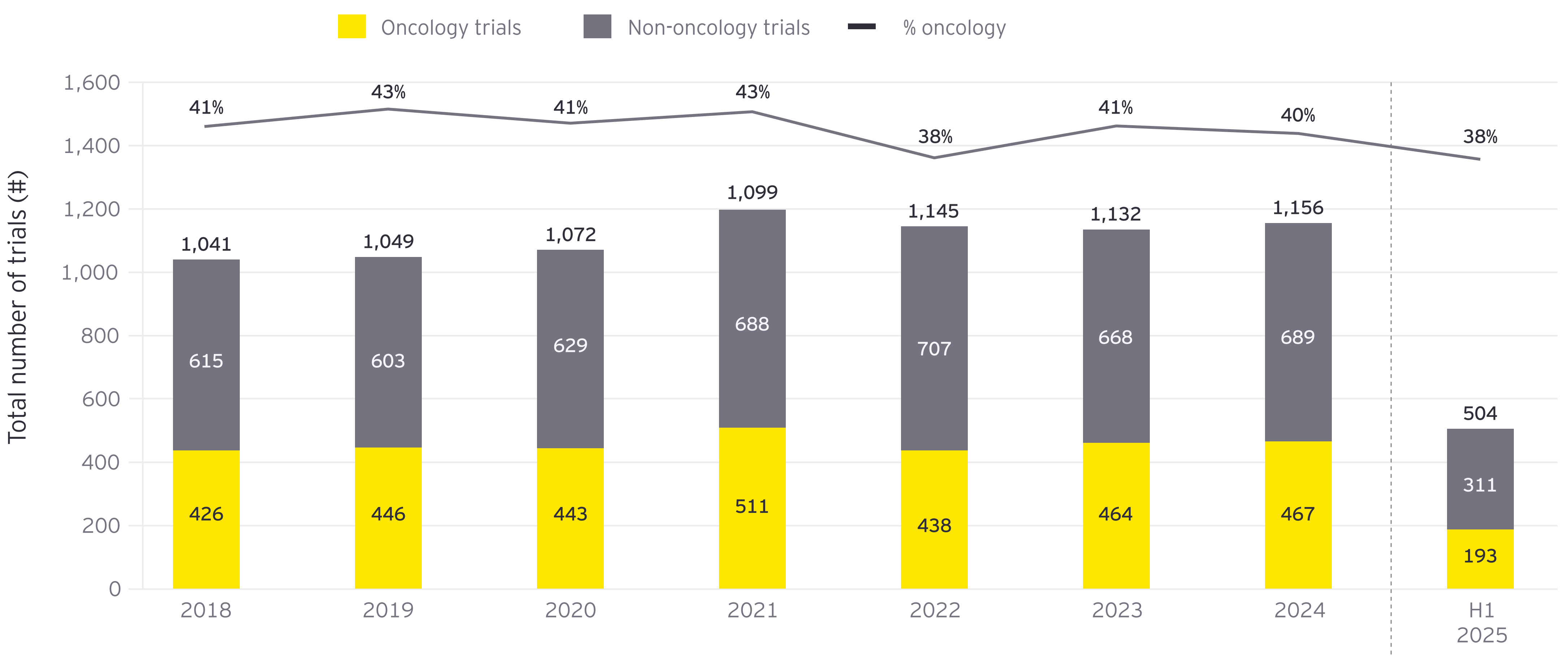
Advancing care

Clinical trials shaping Texas biotech

In Texas and the broader biotech sector, oncology remains the dominant therapeutic area, driven by large patient populations, incredible unmet need and significant sales potential. According to the latest EY Biotech Beyond Borders Report, oncology products are estimated to make up 22% of total pharmaceutical sales by 2030, making it the single largest therapeutic category. In 2024, oncology clinical trials starts accounted for 26% of all clinical trial starts. A similar trend is reflected in Texas, where oncology is even more dominant, accounting for 40% of clinical trials done in the state last year, likely due, in part, to the CPRIT funding noted above, a noted advantage for Texas-based research entities.

Oncology targets command a 30% higher deal premium compared to non-oncology targets, according to EY analysis. And oncology companies often command higher valuations from investors in both the public and private setting.

Number of Texas clinical trials, 2018–H1 2025)



Sources: EY Insights analysis, US clinical trials website.
Assumptions in the analysis:
- Data source: The dataset was extracted from the US government's clinical trials website.
- Geographic scope: The analysis is limited to clinical trials conducted in Texas, based on location-specific filtering.
- Time frame: Only trials with a start date from January 1, 2018 to June 2025 were considered.
- Study status filtering: Trials with the following statuses were excluded from the analysis: Not yet recruiting, Terminated, Suspended, Withdrawn and Unknown status.
- Study phase selection: The analysis included only trials in the following phases: Early Phase I, Phase I, Phase II and Phase III.
- Removed the data wherein the dates were not available.

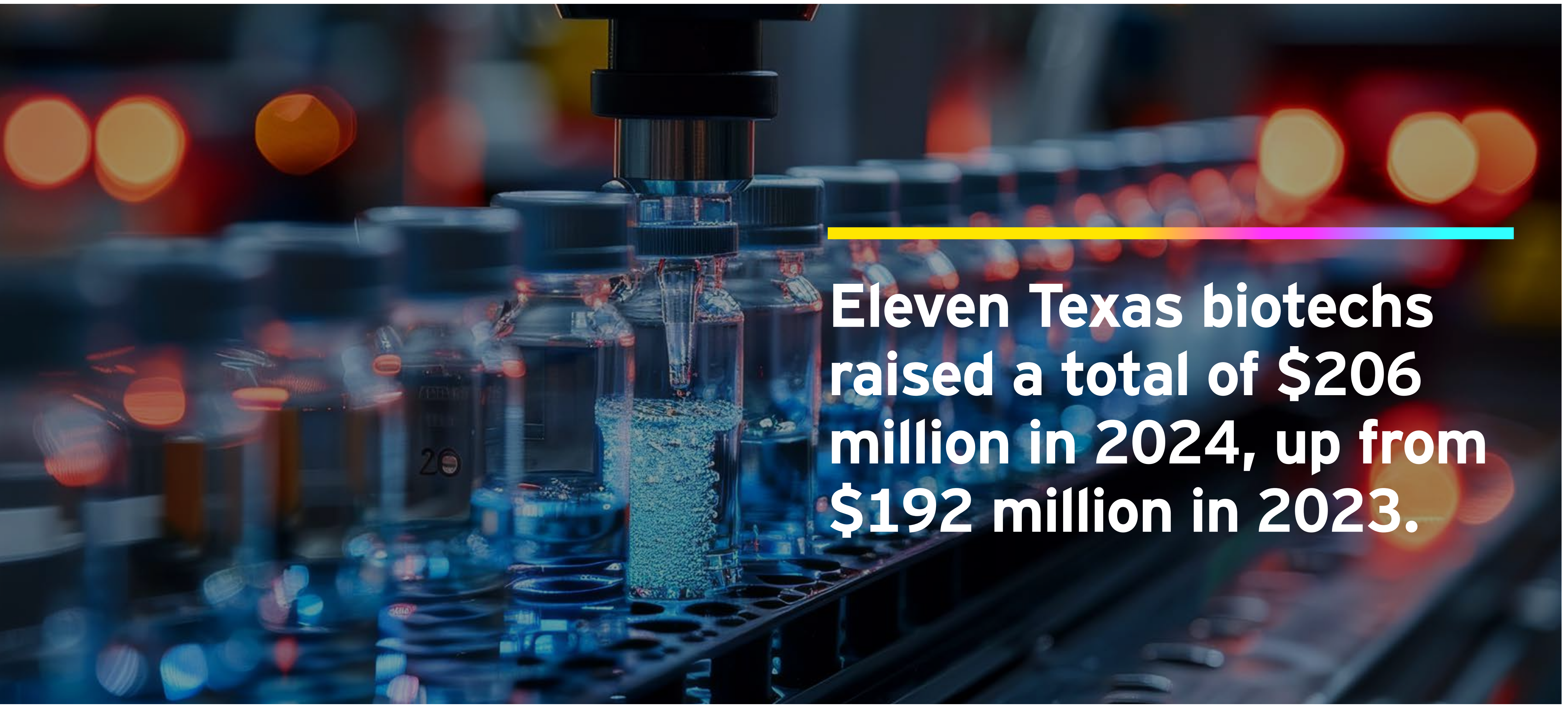
Fueling innovation

Venture capital flows up in Texas biotech

Venture capital raised by US and European biotechs in 2024 was above pre-pandemic levels and nearly reached levels seen in the boom year of 2021. In 2024, early venture rounds (seed and first-round investments) reached $15.5 billion, while late-stage rounds (all other funding rounds) brought in $7.6 billion. This activity is above the $15 billion and $5.2 billion, respectively, that were raised in 2019.

Similarly, in Texas, venture funding for private biotechs has been growing. Eleven Texas biotechs raised a total of $206 million in 2024, up from $192 million in 2023. That upward momentum continued into the first half of 2025, with Texas biotechs raising a total of $247 million. Twelve of the 19 companies that raised funds in 2024 and the first half of 2025 were oncology-focused companies.

Prior to its IPO, Caris also touted the largest venture capital funding round in Texas in the first half of 2025. In April, the company raised $168 million, bringing its total external funding prior to IPO to $1.86 billion. Other notable venture capital raises include Osteal Therapeutics, a Dallas-based musculoskeletal therapeutics company, which raised $50 million in 2024, and ImmunoGenesis, a Houston-based immuno-oncology biopharmaceutical company, that raised $44 million in 2024.



Eleven Texas biotechs raised a total of $206 million in 2024, up from $192 million in 2023.

Top Texas venture capital rounds, 2024

Name	Therapeutic focus of lead candidate	Clinical stage of lead candidate	Gross raised (US$m)	Quarter	VC round type
Osteal Therapeutics, Inc.	Orthopaedic	Phase III	50	Q2	Late stage
ImmunoGenesis, Inc.	Oncology	Phase II	44	Q2	First round
March Biosciences, Inc.	Oncology	Phase II	28	Q4	Second round
Indapta Therapeutics, Inc.	Oncology	Phase I	23	Q4	Second round
CoRegen, Inc.	Oncology	Phase I/II	15	Q1	Second round
Diakonos Oncology Corp.	Oncology	Phase I/II	11	Q3	First round
CrossBridge Bio, Inc.	Oncology	Pre-clinical	11	Q4	First round
PranaX Corp.	Immunology	NA	10	Q1	First round
Hera Biotech, Inc.	Women's health	NA	6	Q3	Late stage
Okogen, Inc.	Ophthalmology	Phase IIb	3	Q4	Second round
Actuate Therapeutics, Inc.	Oncology	Phase II	3	Q1	Late stage

Top Texas venture capital rounds, H1 2025

Name	Therapeutic focus of lead candidate	Clinical stage of lead candidate	Gross raised (US$m)	Quarter	VC round type
Caris Life Sciences, Inc.	Oncology	NA	168	Q2	Late stage
Stramsen Biotech, Inc.	Multiple	Early-stage	25	Q2	Second round
Diakonos Oncology Corp.	Oncology	Phase I/II	20	Q2	First round
Gradalis, Inc.	Oncology	Phase II	13	Q2	Late stage
Phantom Neuro, Inc.	Neurology	Pre-clinical	12	Q1	First round
OncoResponse, Inc.	Oncology	Phase II	6	Q2	Late stage
EtiraRX, Inc.	Oncology	Phase I	2	Q2	Second round
Foment Bio, Inc.	Multiple	Phase II	1	Q2	Second round

Sources: EY Insights analysis, Capital IQ and EY Strategy Edge.
Early stage includes venture capital (VC) investments that occur in the first or second venture rounds. Late stage include third and additional round.

Between caution and confidence

Texas biotech's road ahead

Ultimately, Texas remains a compelling microcosm of the global biotech sector: innovative, capital-constrained and forced to do more with less.

Despite mounting macroeconomic pressures and heightened geopolitical uncertainty, the resilience of Texas' biotech sector underscores a broader industry shift toward a more strategic focus and heightened operational discipline. While early-stage firms in the region remain vulnerable to cuts in federal funding and constrained IPO windows, investors continue to show interest in Texas innovation. These developments highlight a key theme in today's biotech landscape: value creation is being redefined — not by scale or splashy launches, but by sustainable pipelines, capital-efficient operations and precision-driven science.

The future trajectory of Texas biotechs will be shaped by their ability to continually adapt — leveraging public-private funding models, optimizing portfolios and investing in next-generation technologies. As the sector navigates evolving FDA dynamics, global competition and a cautious capital environment, companies must adopt a more agile mindset. Prioritizing high-value assets, building strategic alliances and harnessing digital tools like AI are no longer differentiators — they are imperatives for survival and growth. The region's rising prominence in oncology research and clinical trial activity positions it well to play a leading role in shaping the future of precision medicine.

Despite ongoing macroeconomic uncertainties and increased investor selectivity, Texas has made a meaningful impact on the IPO market over the past 18 months. Venture capital funding has also grown year over year, demonstrating strong interest and a continued commitment to supporting companies with promising science. While companies still face significant challenges in securing funding and executing their business strategies, there is a lot to be proud of with Texas' biotech sector.

Ultimately, Texas remains a compelling microcosm of the global biotech sector: innovative, capital-constrained and forced to do more with less. The companies that emerge stronger will be those that embrace efficiency, adapt to deglobalization and align closely with shifting investor and patient expectations. In Beyond Borders, the EY organization continues to chart these transformative trends and offers a roadmap for biotech leaders seeking to navigate complexity, unlock value and deliver impact in a sector where science, strategy and execution must move in lockstep.

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