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Published on October 15, 2025

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EMERGING TECH RESEARCH

The Medtech VC Paradox

Fewer deals, slower exits, yet growth capital is surging

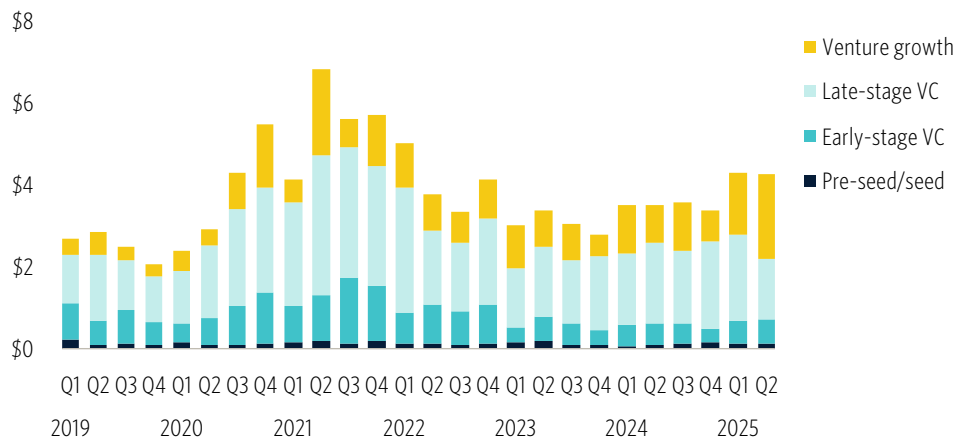
PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

Key takeaways

- **Medtech capital skews to growth:** Deal value has rebounded toward 2020-2021 highs, but most activity is concentrated in later-stage financings, where \$100 million-plus rounds are increasingly common. Seed and Series A funding remains thin, leaving early-stage innovators with fewer options.
- **The long road to liquidity:** Medtech companies face paths longer than 10 years from founding to exit, reflecting the challenge of clinical validation, regulatory clearance, payer coverage, and adoption. Patient capital and well-constructed milestones are essential for companies to realize strong outcomes.
- **Acquirers want proof, not promise:** Strategics overwhelmingly favor FDA-cleared, reimbursement-backed, and adoption-ready businesses. Strong clinical evidence and market traction are prerequisites for M&A.
- **The overlooked early stage:** Competition at the growth stage is strong, though investors are retreating from riskier bets. Those willing to back disciplined seed and Series A opportunities may capture attractive entry points into the next wave of medtech innovators.
- **AI dominates VC flows:** Nearly 70% of total VC deal value in North America—and a comparable share for top medtech startups—now goes to AI-enabled startups. This concentration carries risk: If reimbursement tailwinds fade for novel AI technology, or if regulatory scrutiny ramps up, today's momentum could be fragile.
- **Valuation divergence accelerating:** Growth-stage rounds often reach \$100 million-plus at steep valuations, while early-stage pricing has stabilized. Lower valuations for public firms—highlighted in our [Medtech Comp Sheet and Valuation Guide](#)—are weighing on VC investment downstream.

The medtech VC paradox

Quarterly medtech VC deal value (\$B) by stage



Source: PitchBook • Geography: Global • As of June 30, 2025

Medtech venture funding appears to be rebounding as quarterly deal value has climbed toward levels not seen since the 2020-2021 boom, and 2025 is set to outpace the muted activity in recent years. Still, this recovery is uneven, with most of the momentum concentrated in later-stage financings, while the early-stage engine continues to show signs of strain.

In this report, we examine current VC funding dynamics in medtech—where capital is flowing, how activity varies across stages, and key implications for startups and investors in the sector. We also assess what this uneven recovery suggests for the sector's exit outlook and its innovation pipeline in the years ahead.

Early-stage deal flow has plummeted since its 2021 peak, with far fewer seed and Series A companies attracting VC backing than just a few years ago. In contrast, venture-growth rounds have expanded, accounting for an outsized share of total deal value. The result: Medtech venture funding is increasingly tilted toward established players with existing regulatory traction, payer engagement, and scaled solutions, while younger startups are struggling to secure the capital needed to reach escape velocity.

In North America, about 70% of total VC deal value is going to AI & machine learning (ML) startups.

Even as the IPO window has remained mostly closed, barring a few exceptions, capital has continued to consolidate upmarket, with large venture funds concentrating bets on companies that already look acquisition- or IPO-ready. AI has also clearly played a key role in driving funding and attracting dollars to companies that can frame themselves as data-driven platforms rather than single-product device makers. In North America, about 70% of total VC deal value is going to AI & machine learning (ML) startups, including companies developing foundational models and tools and those embedding AI into their operations.¹ Additionally, data through Q2 2025 showed that close to three-fifths of total capital in the top medtech VC deals was concentrated in AI-enabled companies. This contrasts with traditional market fundamentals in medtech, with slow reimbursement decisions,

1: "AI Eats Up 58% of Global Venture Dollars as Fear of Missing Out Drives Up Dealmaking," PitchBook, Jacob Robbins, April 16, 2025.

costly clinical validation, and commercialization requiring significant sales investment. Investors at the growth stage can justify bridging companies through these hurdles, but seed and early-stage backers face the prospect of underwriting a much longer lifecycle.

This leads us to a paradox in medtech VC investment: On the surface, capital deployment looks strong, yet a thinner pipeline at the seed and early stages means fewer companies will be in position to drive the IPO and M&A cycle in the coming years. This dynamic is also magnified by concentration: More money is chasing fewer later-stage deals, often at stretched valuations. In our view, if reimbursement tailwinds for AI-enabled tools fade or hospital budgets remain under pressure, today's momentum could prove fragile.

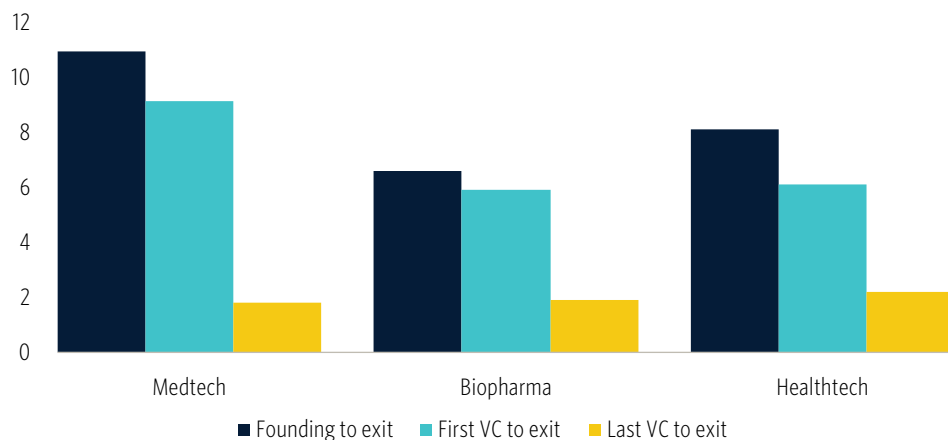
Implications for startups and investors:

- For **startups**, this environment means planning for longer fundraising timelines and potentially greater reliance on alternative capital sources such as strategics, debt financing, and insider-led rounds.
- For **investors**, there is opportunity to re-engage at the seed and Series A stages, where investor competition has receded but the long-term need for innovation remains.

Exits in medtech are delayed, but the trade-off is more defensible technologies and durable revenue once adoption is secured.

Why medtech exits take longer

Median exit timeline (years) in 2025 by sector



Source: PitchBook • Geography: Global • As of June 30, 2025

In the VC-backed healthcare landscape, medtech stands alone for the length of time it takes companies to reach an exit. The data shows that medtech companies typically require 10-plus years from founding to exit and six to eight years from first VC round to exit, outpacing both biopharma and healthtech. This extended horizon reflects the unique dynamics of regulatory scrutiny, commercialization hurdles, and acquirer behavior in the medtech ecosystem. While exits do occasionally happen via IPOs, M&A activity forms the bedrock of medtech exit outcomes, and most strategic M&A activity occurs after Food and Drug Administration (FDA) approval and key reimbursement decisions, significantly lengthening the VC hold period.

By comparison, biopharma exits tend to happen much sooner. Big Pharma often moves early, acquiring assets in phase 1 or 2 trials—well before commercial launch. That dynamic shortens the typical timeline from founding to exit to around seven to nine years, though the scientific and clinical risks remain high. For strategics, pipeline replenishment pressures can push strategics to buy sooner, and reports suggest large biopharma companies face an especially severe patent cliff in the years ahead.² Healthtech, and especially digital health and software-enabled services, exhibits the shortest exit timelines. With development cycles measured in months rather than years, exits often occur within eight to 10 years of founding, and only two to three years after the last VC round.

Exits in medtech typically take longer, as companies must navigate multiple validation layers before acquirers are willing to engage.

In contrast, exits in medtech typically take longer, as companies must navigate multiple validation layers before acquirers are willing to engage. Class 2 and 3 medical devices face extended regulatory timelines, requiring years of clinical testing. And unlike biopharma, where pharma buyers routinely acquire clinical-stage assets, medtech acquirers usually wait for FDA approval to de-risk their bets. Even then, many devices still face reimbursement hurdles as payers often demand new billing codes or favorable coverage decisions. Without reimbursement, adoption is limited, further delaying exit opportunities. And further, medtech commercialization is sales-force-driven, demanding heavy investment in physician training, distributor networks, and hospital adoption. These market dynamics shape why medtech exits consistently lag biopharma and healthtech. However, the payoff is that successful exits tend to produce defensible market positions and sustainable growth trajectories, which are appealing outcomes for both strategics and public investors.

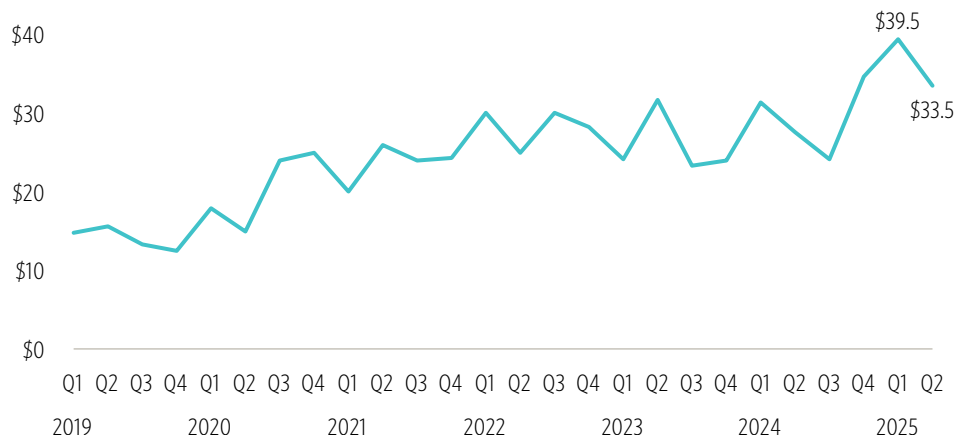
Implications for startups and investors:

- For **startups**: The path in medtech can be long. Fundraising plans need to reflect a horizon of 10 years or longer, with syndicate depth and investor alignment built in from the start. Overestimating the pace to exit can leave companies stranded at critical junctures—positioning for acquisition means showing early traction with payers and adoption pilots, not just regulatory wins.
- For **investors**: Medtech requires more patience and capital, but it can deliver durable long-term outcomes once adoption is secured. Exits come later than in biopharma or healthtech, yet they often result in more defensible markets when they do occur. Benchmarking against peers can help determine whether a strategy skews too early, too late, or is differentiated enough in this slower-moving sector.

2: "Biopharma's Patent Cliff Puts Costs Front and Center," BCG, Clemens Möller, et al., February 18, 2025.

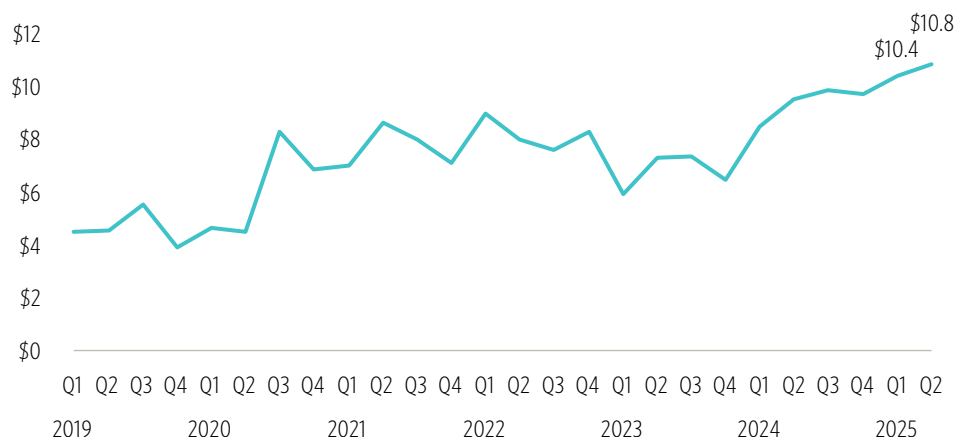
Barbell valuations in medtech

Median quarterly medtech VC pre-money valuation (\$M)



Source: PitchBook • Geography: Global • As of June 30, 2025

Median quarterly medtech VC deal value (\$M)



Source: PitchBook • Geography: Global • As of June 30, 2025

Since the mid-2010s, medtech valuations have drifted steadily upward across all stages, in line with the expansion of private markets investment in healthcare broadly. Pre-seed/seed rounds that once clustered in the low single digits now frequently clear the \$10 million mark, and early VC medians have roughly doubled or tripled compared with where they were a decade ago. Later-stage VC rounds, which used to price in the midteens, now regularly appear in the \$30 million-\$40 million range. Venture growth has seen the steepest climb, with medians swinging from tens of millions to north of \$100 million in recent years.

On the supply side, medtech companies face larger funding requirements than a decade ago. Regulatory expectations, clinical trial size, and reimbursement complexity have all been expanding, and general cost inflation is driving up capital needs, pushing round sizes higher and valuations up with them. On the demand side, the surge of capital during 2020-2021 created new price baselines and accelerated the rise in valuations across the sector. Rising valuations have outpaced exit activity, creating a challenging environment for long-term investors. Medtech continues to require patience and, as noted above, exits take longer to materialize, as strategics remain highly selective in where they place bets.

Investors are willing to pay up once risk has been removed, but they are less willing to fund the uncertain climb.

Growth-stage resilience: Valuations at the venture-growth stage remain strong. Several recent quarters have seen medians well above \$100 million, signaling that capital is still available for companies approaching commercialization with visible adoption and reimbursement traction. Top growth-stage deals in 2025 so far include VC rounds for Neuralink at \$650 million, Supira Medical at \$120 million, and SetPoint Medical at \$115 million. For investors with larger funds or crossover strategies, these companies offer realistic paths to liquidity, whether through IPOs or strategic M&A. This resilience underscores the core paradox of medtech VC: Investors are willing to pay up once risk has been removed, but they are less willing to fund the uncertain climb to that point.

Early-stage pressure: Valuations at the seed and early VC stages have softened since their 2021 peak, a pullback that mirrors declining deal counts and highlights a reluctance to underwrite regulatory and technical risk. For founders, this means tougher fundraising dynamics at the stage where capital is most critical for advancing clinical initiatives. For investors, the caution is understandable: Exits take a decade or longer, and many hurdles exist before reimbursement or adoption can be secured.

As explored in our recent [Healthcare Funds Report](#), healthcare VC funds from the 2012-2014 vintages have delivered some of the strongest returns. This suggests investors that remain active during slower periods—and that are willing to look past near-term headwinds—could be well positioned for stronger long-term performance. Among recent medtech seed rounds, Nia Therapeutics' \$22 million round and Cognixion's \$6 million round showcase medtech investors' current interest in the emerging fields of neurostimulation and brain-computer interfaces.

Later-stage stability: Sitting between these extremes, later-stage (Series B/C) valuations have stabilized in a middle range. Medians in the \$25 million-\$35 million band suggest a market that is neither overheated nor facing any significant challenges. Investors remain willing to back companies that have regulatory visibility and early clinical proof, but pricing has become more disciplined as compared with the highs of the 2021-2022 late-pandemic period.

Implications for startups and investors:

- For **startups**, different stage dynamics mean fundraising strategies must adapt. Early-stage companies should expect longer timelines and higher evidence thresholds, making nondilutive capital, strategic partnerships, and milestone planning important. In contrast, later-stage companies with proof points in hand are in a stronger position but should still anticipate disciplined pricing.
- For **investors**, the takeaway is that medtech is becoming a barbell market. Growth rounds remain attractive, but long-term returns will depend on replenishing the early-stage pipeline. Those willing to lean into seed and early VC—backing strong teams with capital-efficient plans—may be positioned to capture value others are leaving on the table.

Strategics increasingly prioritize technologies they can plug into existing commercial channels.

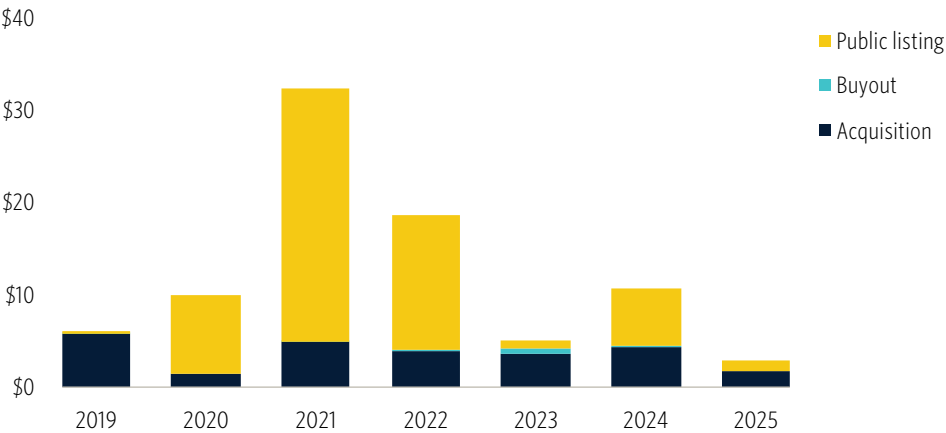
The medtech exit playbook

Even as the IPO window slowly opens, strategic acquirers remain central to medtech's exit landscape, and their approach helps explain why exit timelines stretch longer in medtech. Large firms, including Medtronic, Boston Scientific, GE Healthcare, and Abbott, remain selective and are often looking to purchase assets on a "growth-at-a-reasonable-price basis," rather than chasing riskier upside value at earlier stages. Specifically, medtech strategics usually wait for technologies to achieve FDA approval, payer coverage, and adoption momentum before making a move. In 2024, Boston Scientific acquired Axonics, a neuromodulation company with established commercial traction in urology, for \$3.7 billion and bought Silk Road Medical, which had already established adoption of its transcarotid artery revascularization stroke-prevention technology, for \$1.2 billion. Both moves highlight the company's focus on de-risked assets at a reasonable price. Strategics also prioritize technologies they can plug into existing commercial channels and leverage their experienced sales forces. For these reasons, tuck-in acquisitions dominate in the sector, reflecting a disciplined approach to capital deployment by large corporates.

Other recent medtech exits further highlight how long it can take for startups to reach a liquidity event. For example, Inspire Medical Systems, founded in 2007, did not go public until 2018. Silk Road Medical followed a similar path. It was founded in 2007 and went public in 2019 before its subsequent acquisition, with its stroke-prevention technology requiring years of development. Another example is Shockwave Medical, which completed an IPO in 2019 after more than 10 years of VC-backed growth. Similarly, Paragon 28—which first received VC funding in 2021—spent a decade building out its foot and ankle reconstruction portfolio before going public in 2021. It was ultimately acquired by Zimmer Biomet in 2025 for \$1.2 billion. These examples reinforce that medtech exits typically cluster around reimbursement decisions and readiness to scale, both of which can be accelerated by the strong sales and regulatory experience of established acquirers.

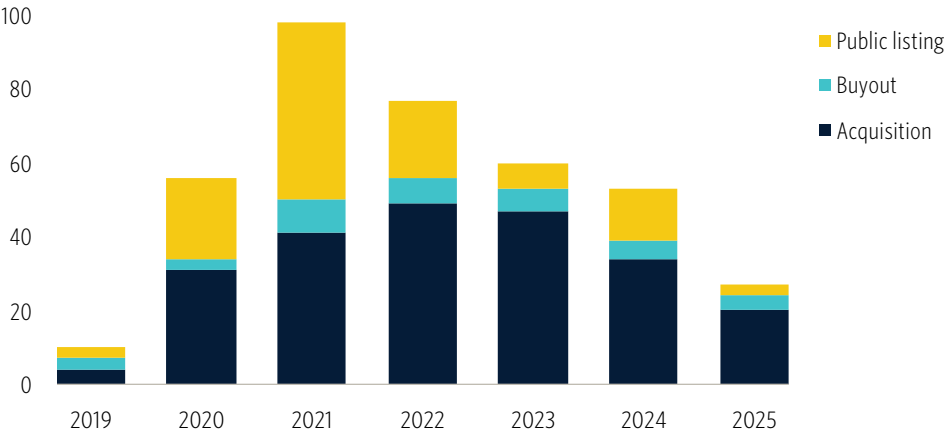
Appendix

Medtech VC exit value (\$B) by type



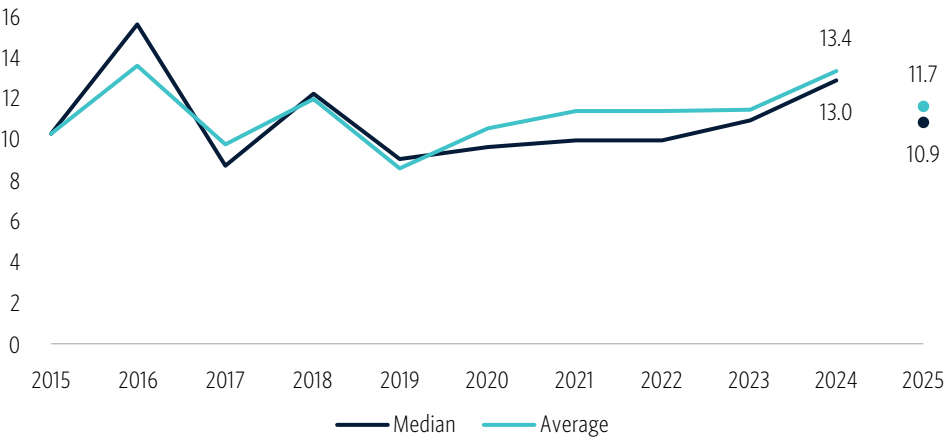
Source: PitchBook • Geography: Global • As of June 30, 2025

Medtech VC exit count by type



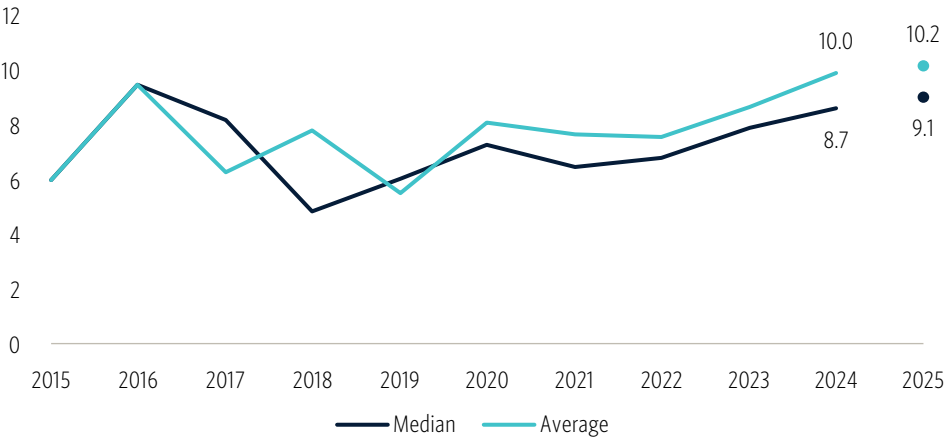
Source: PitchBook • Geography: Global • As of June 30, 2025

Median and average medtech VC time (years) from founding to exit



Source: PitchBook • Geography: Global • As of June 30, 2025

Median and average medtech VC time (years) from first VC to exit



Source: PitchBook • Geography: Global • As of June 30, 2025

Active medtech unicorns

Company	Last valuation (\$M)	VC (\$M) raised to date	Last deal size (\$M)	Last step-up	Average time (years) between rounds	Segment	HQ location
Neuralink	\$9,000.0	\$1,337.1	\$650.0	2.4x	1.9	Surgical devices & tools	Fremont, US
Ultima Genomics	\$3,629.2	\$410.2	\$229.2	2.4x	0.4	Diagnostics & life sciences	Newark, US
CMR Surgical	\$2,698.7	\$1,416.9	\$200.0	N/A	1.1	Surgical devices & tools	Cambridge, UK
Function Health	\$2,680.0	\$357.5	\$300.0	12.5x	1.5	Diagnostics & life sciences	Austin, US
Freonome	\$2,200.0	\$1,352.4	\$254.0	0.7x	1.2	Diagnostics & life sciences	Brisbane, US
Neko Health	\$1,800.0	\$331.1	\$260.0	N/A	1.1	Medical imaging	Stockholm, Sweden
Imperative Care	\$1,650.0	\$523.4	\$150.0	1.2x	1.9	Surgical devices & tools	Campbell, US
CapitalBio Technology	\$1,512.8	\$128.0	N/A	N/A	1.5	Diagnostics & life sciences	Beijing, China
EdgeMedical	\$1,506.9	\$317.5	\$206.9	N/A	0.8	Surgical devices & tools	Shenzhen, China
BostonGene	\$1,500.0	\$270.0	\$120.0	0.6x	2.8	Diagnostics & life sciences	Waltham, US
Shukun	\$1,453.4	\$310.9	\$105.8	2.1x	0.5	Medical imaging	Beijing, China
Valgen Medtech	\$1,433.0	\$158.0	\$133.0	6.4x	2.0	Surgical devices & tools	Hangzhou, China
BillionToOne	\$1,350.0	\$411.0	\$130.0	1.3x	1.3	Diagnostics & life sciences	Menlo Park, US
Sizherui Smart Medical Equipment	\$1,315.0	\$100.6	N/A	N/A	N/A	Surgical devices & tools	Harbin, China
Insightec	\$1,300.0	\$600.9	\$150.0	N/A	2.3	Nonsurgical medical treatments	Tirat Carmel, Israel
Huma	\$1,274.7	\$343.0	\$101.4	2.1x	1.4	Remote monitoring & portable care	London, UK
MicroPort CRM	\$1,250.0	\$568.6	\$130.0	N/A	1.5	Surgical devices & tools	Clamart, France
BioIntellisense	\$1,228.6	\$260.6	\$178.6	1.0x	1.2	Remote monitoring & portable care	Golden, US
Hanyu Medical	\$1,152.4	\$149.7	\$70.3	2.3x	0.6	Surgical devices & tools	Shanghai, China
Spectrum Medical	\$1,146.7	\$59.2	\$6.1	N/A	N/A	Nonsurgical medical treatments	Gloucester, UK
Element Biosciences	\$1,044.0	\$683.3	\$277.0	0.5x	1.7	Diagnostics & life sciences	San Diego, US
OrCam	\$1,000.0	\$181.4	\$30.4	1.6x	1.3	Nonsurgical medical treatments	Jerusalem, Israel
Cornerstone Robotics	\$1,000.0	\$210.0	\$70.0	N/A	1.0	Surgical devices & tools	Shenzhen, China

Source: PitchBook • Geography: Global • As of June 30, 2025

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