

Research Note

Year-End and Long-Term US Trends in Early-Stage Device and Diagnostic Investment

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C O N S U L T I N G

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In Q2 2022, when the slowdown in early-stage life science deals was clear, I suggested what was needed for better days – evidence of macroeconomic stabilization, a consensus on new valuations given a forecast of diminished exit value, a clearer idea of high cost-of-capital’s impact on expected risk premiums, and insight into the growing role of micro-VCs.¹ Six months later, it seems that those criteria are not fully met. The drought in early-stage deals persists, with deal terms swinging to favor investors over start-ups.²

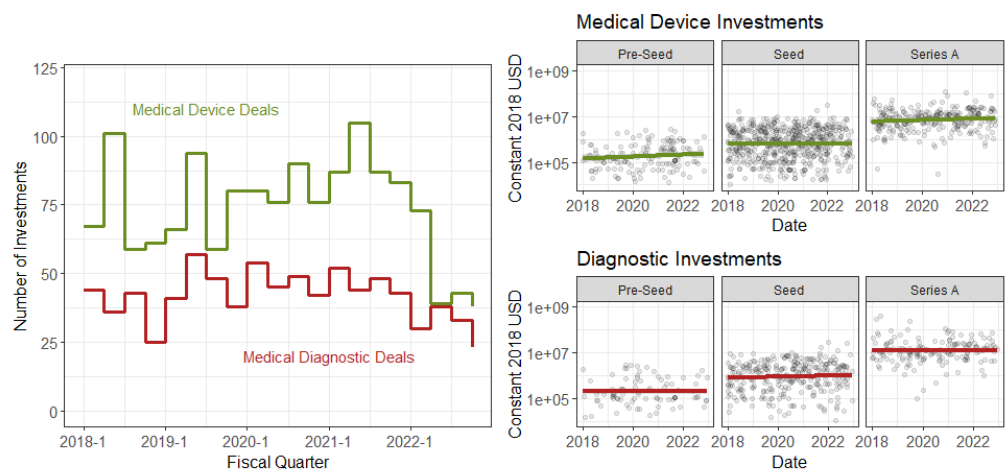
Below are summarized Pre-seed, Seed, and Series A rounds in US medical device and diagnostic companies from 2018 thru 2022, with quarterly deal count and deal size by stage (in constant 2018 dollars).

The data reflect a few important points -

- Medical device deals have fallen more so than diagnostics, with fewer than 50 early investments nationwide per quarter in H2 2022.
- Deal count for both verticals has stabilized, at least for the last two quarters.
- Although reduced in count, investment size has held steady relative to inflation, including the >6% rates in 2021 and 2022. *Technical note: we use general additive models for curve fitting – there just isn’t any curve here.*

The Take Home? For start-ups, it remains a difficult time, but plenty of deals are still being done. For investors, keep an eye on the changing norms (in your favor) of early-stage valuations, protections and deal structure.

Device and Diagnostic Early-Stage Deals, 2018-2022



Source: ArgoPond | Crunchbase

1. J. Younger, in *Bioeconomy.XYZ* (2022), Vol. 2022.
2. J. Younger, (ArgoPond, Research Note, 2023).