

GIBSON DUNN



Life Sciences | Royalty Finance Update

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Royalty Finance in Life Sciences – Market Update 2026

This Royalty Finance Market Update provides an analysis of publicly reported royalty finance transactions for 2020 through 2025 in the life sciences sector, focusing on both traditional and synthetic royalty transactions.

INTRODUCTION

Royalty finance has become one of the most important capital formation tools in the life sciences sector. Over the past six years, more than \$32 billion in royalty-linked transactions have closed - funding drug launches, enabling non-dilutive capital raises, and expanding a growing new asset class that sits at the intersection of structured finance and biopharma dealmaking.

This report provides a comprehensive analysis of that market. Drawing from Gibson Dunn's proprietary Royalty Finance Tracker (a database of 133 transactions spanning 2020 through 2025) we examine the structural, economic, and competitive dynamics that are shaping how companies, investors, and their advisors approach royalty finance in 2026.

The headline numbers tell a story of resilience and growth: deal value grew 37% from 2020 (\$5.2B) to 2025 (\$7.1B), with transaction volume stabilizing at 25–27 deals per year even as interest rates climbed to levels not seen in two decades. That durability, with deal flow holding steady while the fed funds rate hovered around 4% for most of 2025 may be the most important finding in this report. But the more interesting story lies beneath the surface in how these deals are being structured, who is doing them, and what the economics look like for both sides.

We hope this report serves as both a useful reference for practitioners and an invitation to engage with Gibson Dunn on the opportunities and challenges ahead.

TRENDS AND MARKET OUTLOOK

Key Takeaways (2020-2025)

- The royalty finance market has nearly doubled in six years. Annual deal value grew 37% from 2020 to 2025 (\$5.2B to \$7.1B), with transaction count stabilizing at 25–27 deals per year, which we view as a sign of a maturing, not overheating, market.
- The 2022 dip was temporary. Deal activity contracted briefly as rapid monetary tightening and a biotech equity collapse created a market freeze. However, volume has recovered to record levels even as interest rates climbed above 5%, demonstrating that royalty finance demand is embedded in how biopharma companies fund themselves, not dependent on cheap capital.
- The synthetic royalty market is converging on true-sale structures. In 2020–2021, half of synthetics were structured as true sales; by 2024–2025, that figure reached 71% of deals and 91% of value – representing a structural shift catalyzed by Royalty Pharma’s transaction approach and adopted by the broader buyer market.
- Sellers are capturing more value as the market becomes more competitive. Cap structures vary significantly across deal types. Among capped synthetic royalties, the median cap is 2.0x (range: 1.55x–4.0x), although many synthetics remain uncapped, reflecting a broad spectrum of risk allocation. Tiered rates are quite common (functionally creating annual caps at higher net sales tiers), all reflecting improved seller leverage.
- Gibson Dunn advised on 27% of all transactions over the six-year period and accounted for 52% of the deal volume in 2025.

The Macro Picture: Growth, Disruption, and Recovery

Key Takeaways

- Annual volume grew from \$5.2B (2020) to \$7.1B (2025), with a temporary dip to \$3.9B in 2022.
- The 2022 contraction reflected a temporary market freeze driven by rate shock and a simultaneous biotech equity collapse - not a structural weakness in the asset class. Volume recovered to record levels even as interest rates stabilized above 5%.
- Deal count stabilized at 25–27 per year from 2023 onward, suggesting the market has found a sustainable equilibrium.
- Median deal size trended upward to \$221M in 2025, as buyers demonstrated comfort with larger commitments.

Please click on the link below to view our complete Royalty Finance 2026 Report:

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Gibson Dunn's Royalty Finance team is available to assist with any questions you may have regarding these issues.

Please contact the Gibson Dunn lawyer with whom you usually work, any leader or member of the firm's Life Sciences or Royalty Finance practice groups, or the authors:

Ryan Murr – San Francisco (+1 415.393.8373, rmurr@gibsondunn.com)

Karen Spindler – San Francisco (+1 415.393.8298, kspindler@gibsondunn.com)

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