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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

# As Stigma Fades, Reverse Mergers Boom In Biotech

By **Yeji Jesse Lee**

Law360 (September 22, 2026, 6:59 PM EDT) -- Reverse mergers, once seen as the ugly duckling among go-public options, are hot this year.

Attorneys advising the biotech space say a waning stigma on reverse mergers is boosting their popularity this year among drug developers gearing up to enter the public markets.

Branden Berns, partner at Gibson Dunn's San Francisco office, said that going public via an initial public offering used to be the default for biotechs. But that perception appears to be shifting.

"We would usually be the ones saying, 'Hey, you could also consider doing a reverse merger,'" he said.

But now, more companies are coming to him with the idea and asking him to work through the pros and cons of an IPO versus a reverse merger versus a de-SPAC, or a merger in which a private company goes public by combining with a "special purpose" shell company.

Reverse mergers allow private companies to go public by taking over a publicly traded company. They offer an alternative pathway to the public markets to traditional IPOs.

Going public through a reverse merger has long carried some stigma as vehicles through which subpar companies that often couldn't pull off an IPO made their public debuts.

But attorneys say that reputation has shifted massively as companies that went public through reverse mergers years ago continue to trade well on the public markets and release solid data around their drugs.

As reverse mergers become more prevalent, "market participants look at that and say, 'Why not us?'" Berns said.

Biotech companies have announced 24 reverse mergers so far in 2026, more than double the 10 the industry saw all of last year.

Reverse Mergers Ramp Up In Biotech

Biotech companies have announced 24 reverse mergers through Sept. 22.

| PRIVATE COMPANY | PUBLIC COMPANY | MONTH ANNOUNCED | LEGAL COUNSEL FOR PRIVATE CO. | LEGAL COUNSEL FOR PUBLIC CO. |
|---|---|---|---|---|
| Faeth Therapeutics | Sensei Biotherapeutics | February | Cooley | Sidley |
| Eos Senolytix | Pulmatrix | March | Wilk Auslander | Haynes Boone |
| Korsana | Cyclerion Therapeutics | April | Gibson Dunn | Ropes & Gray |
| Obsidian Therapeutics | Galera Therapeutics | April | Goodwin | Sidley |
| Mentari Therapeutics | InMed Pharmaceuticals | May | Gibson Dunn | Norton Rose and Norton Rose (CAN) |
| Orphai Therapeutics | Quince Therapeutics | May | Cooley | Dorsey & Whitney |
| Avenzo Therapeutics | Rallybio Corp. | June | Cooley | Ropes & Gray |
| Azora Therapeutics | Adial Pharmaceuticals | June | Honigman | Blank Rome |
| InnocsAI | Liminatus Pharma | June | n/a | n/a |
| Remix Therapeutics | Passage Bio | June | Latham | Fenwick |
| Serapha Bio | Boundless Bio | June | Gibson Dunn and Goodwin | Latham |
| Treeline Biosciences | Standard BioTools | June | Fenwick | Freshfields and Richards Layton |
| Avere Therapeutics | NextCure | July | Gibson Dunn | Sidley |
| Caldera Therapeutics | Synlogic | July | Fenwick | Mintz |
| Kira Pharmaceuticals | Jasper Therapeutics | July | DLA Piper | Paul Hastings |
| Oak Hill Bio | Research Alliance Corp. III | July | Goodwin | Cooley |
| Scancell | Neuphoria Therapeutics | July | Cooley (UK) | Winston Taylor |
| Vidya Therapeutics | Processa Pharmaceuticals | July | Cooley | Katten |

| | | | | |
|---|---|---|---|---|
| Ambros Therapeutics | Werewolf Therapeutics | August | Cooley | Sidley |
| Cy Biopharma | Ensysce Biosciences | August | Orrick | Troutman |
| Redx Pharma | Skye Bioscience | August | Cooley | Morrison Foerster |
| Slate Medicines | Fulcrum Therapeutics | August | Cooley | Goodwin |
| Marea | Lisata Therapeutics | September | Goodwin | Mintz |
| North Immunology | Aethlon Medical | September | Gibson Dunn | Procopio |

Source: Securities and Exchange Commission

In 2024, 14 companies made the plunge with a reverse merger, while in 2023 there were only five, according to an analysis by biopharma advisory firm JB Strategy Partners.

Along with the changing perception of such transactions, fueling the trend is the valuation certainty reverse mergers offer over a traditional IPO in a turbulent market. A sizable cohort of public biotechs that are ripe targets for such deals is also a factor.

Ryan Murr, a partner at Gibson Dunn, said that the slew of biotechs that went public during the highs of the pandemic in 2020 and 2021 are now largely past their post-IPO "inflection points."

At this point, they've had their pivotal data readout after going public and "they've either succeeded and they've moved on to greatness or they now are failing and looking to figure out what to do next," he said.

Those that ultimately failed now need alternative pathways to move forward and figure out a way to return capital to shareholders or create value with what remains. And a reverse merger with a strong private company that has a promising pipeline is one possible solution, he said.

Berns and Murr have been involved in five reverse mergers announced this year, representing private companies Korsana, Mentari Therapeutics, Serapha Bio, Avere Therapeutics, and, most recently, North Immunology in their respective mergers with public counterparts.

"Whatever taint existed historically, I think the market's past that now," Murr said. Reverse mergers are "a perfectly acceptable way to go public."

Reverse mergers are so tolerable at this point that attorneys say they aren't seeing any substantive difference between the kinds of companies opting for an IPO versus a reverse merger.

Daniel Rees, global vice chair of Latham's M&A and private equity practice, said he sees the rise in reverse mergers as part of the larger – and active – dynamics of the current biotech market.

Rees is representing Boundless Bio in its deal with private company Serapha Bio.

"The IPO market has strengthened significantly this year. Reverse merger activity … has accelerated alongside it. And then alongside that is traditional biotech M&A activity," he told Law360 Healthcare Authority. "So I think it's a robust market and it's just one more option that our clients can evaluate as they choose the best path for them."

Amanda Rose, who co-leads the capital markets and public companies group at Fenwick, said that volatile public markets have also helped push companies into the arms of reverse mergers.

Unlike traditional IPOs, where companies price their shares based on public investor demand, reverse mergers are often coupled with a private infusion of cash, in which a small group of investors agrees to buy a set number of shares at a predetermined price.

That provides a level of financial certainty going in that many biotech executives welcome.

"It's beneficial to them because they can lock in a valuation early. So, as opposed to a traditional IPO where you're setting your valuation and allocating your IPO at the end of the IPO process, here you're really doing that sooner," she said.

"You're aligning on valuation and committing your investors to this transaction at the front end," Rose added. "It takes some of the market risk off the table. That's the key."

Other attorneys say companies are lining up the numbers and considering the merits of an IPO and a reverse merger at the same time.

"Companies want to go public, and then they're literally just evaluating both of these," said Ryan Mitteness, a partner at Fenwick. "And a lot of the work is similar so they can do some prep work and make a decision later."

Rose and Mitteness are advising Caldera Therapeutics and Treeline Biosciences in their respective reverse merger transactions. Mitteness is also advising Passage Bio in its reverse merger with Remix Therapeutics.

Mitteness added that a big question this year for a lot of his clients has been, "Is the IPO window going to be open?" when a private company tries to go public after months of prep work.

"Nobody feels comfortable saying for certain the answer to that is yes," he said.

Bill Collins, a partner in Goodwin's Life Sciences group, said that reverse mergers can be attractive because they offer a way for companies to avoid hitting current shareholders with two major dilutive events.

Companies preparing for an IPO usually do a big crossover financing round, or a private fundraise that involves a set of investors who can invest in both private and public companies, before they go public.

While such a fundraise can help provide solid capital and tee up support from institutional investors, it also dilutes existing shareholders' ownership stakes.

"What that does is it creates two dilutive events for your existing shareholders," Collins said. "You have to raise money in the crossover and then go raise money in the IPO."

Collins represented Obsidian Therapeutics in its reverse merger with Galera Therapeutics and Oak Hill Bio in its transaction with Research Alliance Corp. III.

A reverse merger lets them "skip the crossover round and basically take one slug of dilution but with the right investor base and add a valuation that they've been able to negotiate without having to go through the song and dance of two financings," he added.

That's something that can really appeal to a lot of companies and their investors.

Collins said many of the companies looking to go public today have been itching to do so for years, and are sensitive to the fact that they have investors who kept them afloat until "the markets turned right side up again."

So anything these companies can do to get capital, set up the right investor base, but avoid dilution for investors who have been in it from the start is a good thing, he said.

Zach Blume, a Ropes & Gray partner who represents public companies, said that fundraising has in recent years been a bottleneck for a lot of companies looking to do a reverse merger.

"If you couldn't get the investors to invest sufficient funds into that PIPE, the deal just wouldn't proceed," he said. "And we would never sign and you wouldn't announce. And so that was where we found a lot of the deals being tripped up."

A PIPE, or Private Investment in Public Equity, is a private infusion of cash that is often coupled with reverse merger deals. But as the markets have improved, investors have become more willing to invest in PIPEs, Blume said.

"We've seen good demand for them," he said.

Blume advised both Cyclerion and Rallybio Corp in their respective reverse mergers announced this year. Rallybio technically signed two reverse mergers in 2026— one initially with Candid Therapeutics in March, before Candid opted to be bought out by Belgian biopharmaceutical company UCB instead. In June, Rallybio announced a new agreement with Avenzo Therapeutics.

Will Michener, a partner at Ropes & Gray's Boston office who advised publicly traded Cyclerion Therapeutics in its reverse merger with Korsana this year, agreed that conversations in the biotech space around reverse mergers have been happening for years.

They "definitely haven't come out of nowhere," he said.

But many would-be agreements never got off the ground because fundraising was so hard.

There was "some thawing last year," he said. And then early this year "it seemed like the floodgates really opened."

"I think the biggest takeaway is just that markets are really conducive to fundraising in a variety of ways," Michener said. "And so IPOs have come roaring back, but it's not at the expense of reverse mergers and reverse mergers have become really popular, but it's not at the expense of the IPOs."

--Editing by Leah Bennett.