

STATREPORTS

**RANKING BIOTECH'S
TOP VENTURE
CAPITAL FIRMS**

2023 Edition

WHAT'S INSIDE

The last time STAT published this report, venture capital firms were still largely reporting the financial successes of the Covid-19 biopharma investment boom. This year's report, the fourth in as many years, shows just how much that has changed.

“Today, we're seeing the impact of the market's indigestion on the process, and it has real implications for patients and innovation,” Bruce Booth, a partner at Atlas Venture, wrote in an [April 2023 blog post](#).

This report digs deep into venture capital firms, showing not only which firms' portfolios of past investments have best weathered the economic storm but how the disturbance is affecting the new investments they're making or the new funds they are raising — information crucial for investors, biotech companies, and analysts.

Venture capitalists are notoriously guarded about the kind of financial returns they get back from an individual deal, let alone how well their entire fund is performing. So how did STAT know enough to rank a firm's performance? In producing this report, we sought out information from public organizations that invest in these firms, such as state and local governments, public universities, and occasionally, nonprofits, insurance companies, and pension funds.

By combing through data made available by Freedom of Information Act requests, we found otherwise private returns information for more than a dozen of the biggest names in biotech venture capital, including Third Rock Ventures, OrbiMed, ARCH Venture Partners, and Flagship Pioneering.

We found that the last year has stress-tested veteran firms and newcomers alike. Several of the recent funds raised by Flagship Pioneering, the firm that founded Moderna and got a significant boost from its success in developing a Covid-19 vaccine, were providing poorer returns than at this time in 2021. (For every dollar outside investors put into Flagship Pioneering Origination Fund Fund VII, which was raised in 2020, they got back \$1.10. In our report last year, investors were receiving nearly \$1.40 back).

Drug development is an expensive, time-consuming, and very risky business. [Around 90%](#) of the drugs that even make it into a Phase 1 trial will either fail during human tests or be rejected by regulators. And only a fraction of those will find commercial success and become a “blockbuster” drug — that is, a drug that brings in more than \$1 billion in revenue each year.

The point of investing in an expensive and high-risk area like venture capital is the potential for market-beating returns; otherwise, investors would be better off plowing their money into the stock market.

A successful venture capital firm might pledge to triple an investor’s money over 10 years.

Investing is an imperfect science — some of the firms ranked in this report focus on the very earliest startups, which are the riskiest to back but also offer the highest potential returns, while others invest in companies that are further along in their research and development.

WHAT'S INSIDE

A few firms invest in many different industries — and the expected life course of a company selling new tech devices or household products to millennials is very different from that of a company trying to develop a new drug for a rare disease.

This report will add that context to the numbers, while also highlighting some of the biotechs that managed to get financing, and the people who are making the key decisions.

A handwritten signature in black ink that reads "Allison + Kate". The word "Allison" is written in a cursive script, followed by a plus sign, and "Kate" is written in a bold, slightly stylized cursive script.

Allison DeAngelis and Kate Sheridan

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