



Financing Life Sciences

Fourth Annual Synthetic Royalty and Drug Development Financing Study

2019-2025

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Overview

The publication of this study marks the fourth consecutive year in which we have examined the prevailing trends in the public “synthetic royalty” and drug development financings markets. Over the course of the seven-year period now encompassed by this report, companies have continued to turn to these financing structures to meet the ever-increasing costs for research and development of new drugs, and financing providers have continued to refine the terms on offer.

Consistent with the prior year, larger public biotech companies continued to turn to these structures in 2025, with a slight uptick in number of deals, and highlighted by an up to \$1.25 billion financing in the middle of the year.

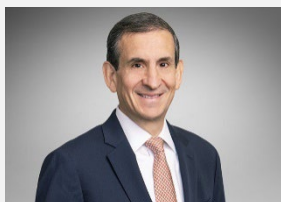
In our review, we have seen the market coalesce the past few years around a minimum level of bankruptcy protection in the form of security interests over intellectual property and other product assets, though one investor demonstrated a willingness to be unsecured in 2025 and other elements of these transactions remain very much open to customization. Additionally, no deals in 2025 were funded with respect to products that had not yet completed Phase III trials.

In the following pages, we present our updated study, which covers the period from January 1, 2019 to December 31, 2025, for transactions involving at least \$25 million entered into by public biotech companies.

Although commercially sensitive information was redacted from some publicly filed documents, sufficient information was available to provide a good sense of market terms.

Contacts and Further Information

If you would like to learn more details about our study and this growing market, please feel free to reach out to us.



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This information is not intended as legal advice. Readers should seek specific legal advice before acting with regard to the subjects mentioned herein.

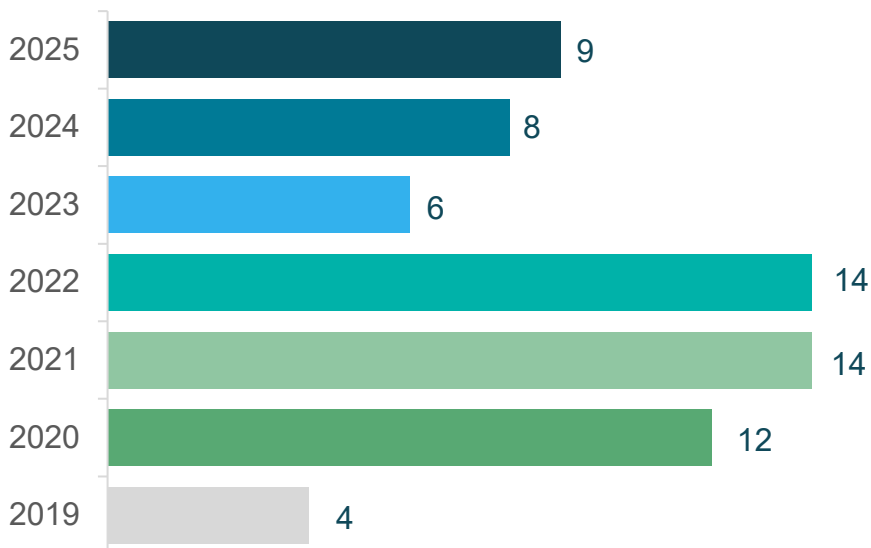
Summary of Transactions Reviewed

67

Total Transactions

24

Unique Investors



Key Finding

While transaction volume was only slightly up in 2025 and largely consistent with 2024, we see continued interest in these financings from a growing universe of investors.

15

Investors with Two or More Transactions

9

Investors with Three or More Transactions
(consistent with the last study)

7

Investors with Four or More Transactions
(consistent with the last study)

5

Investors with Five or More Transactions
(Increased by 1 since the last study)

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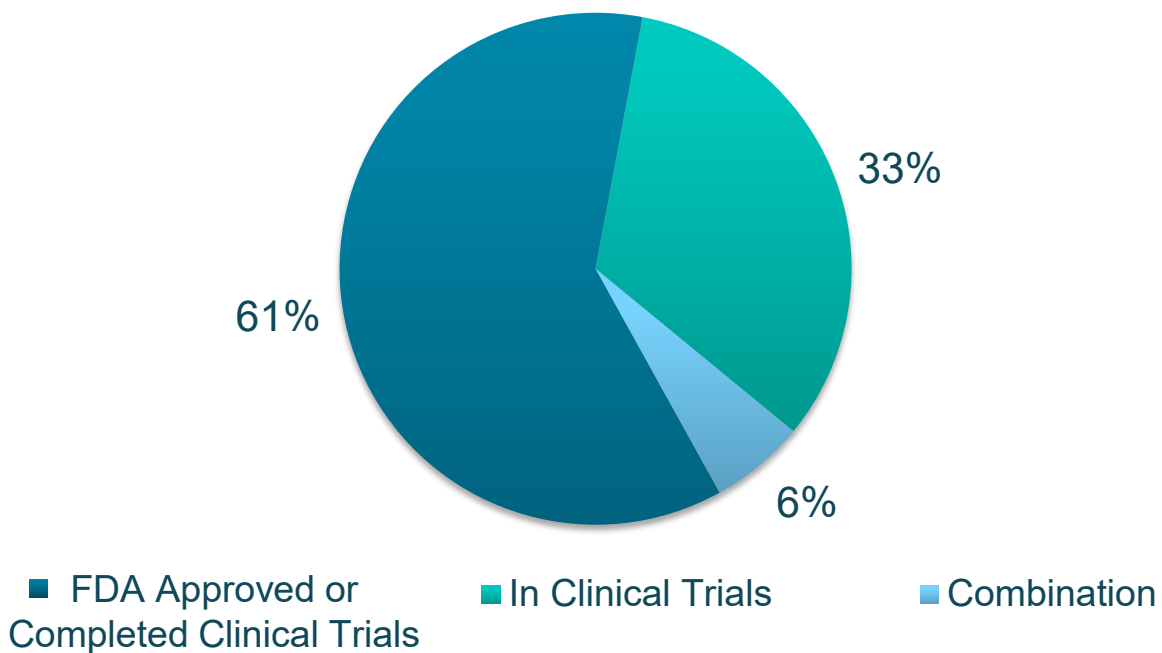
Summary of Transactions Reviewed

\$60,000,000
Median Up Front Payment

\$125,000,000
Median Total Commitment

\$25,000,000
Smallest Total Commitment

\$1,250,000,000
Largest Total Commitment



Key Finding

Transactions in 2025 involved drugs that either completed Phase III trials or were already approved by the FDA.

Trends in 2025

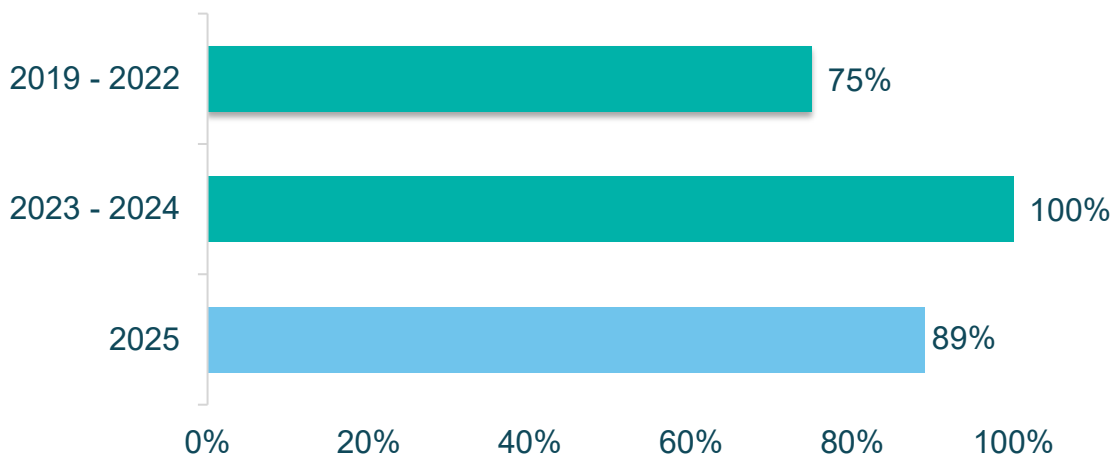
Capped Deals - Completed Phase III or Approved



Limitations on Liens on Product Assets



Secured by at Least Product Assets

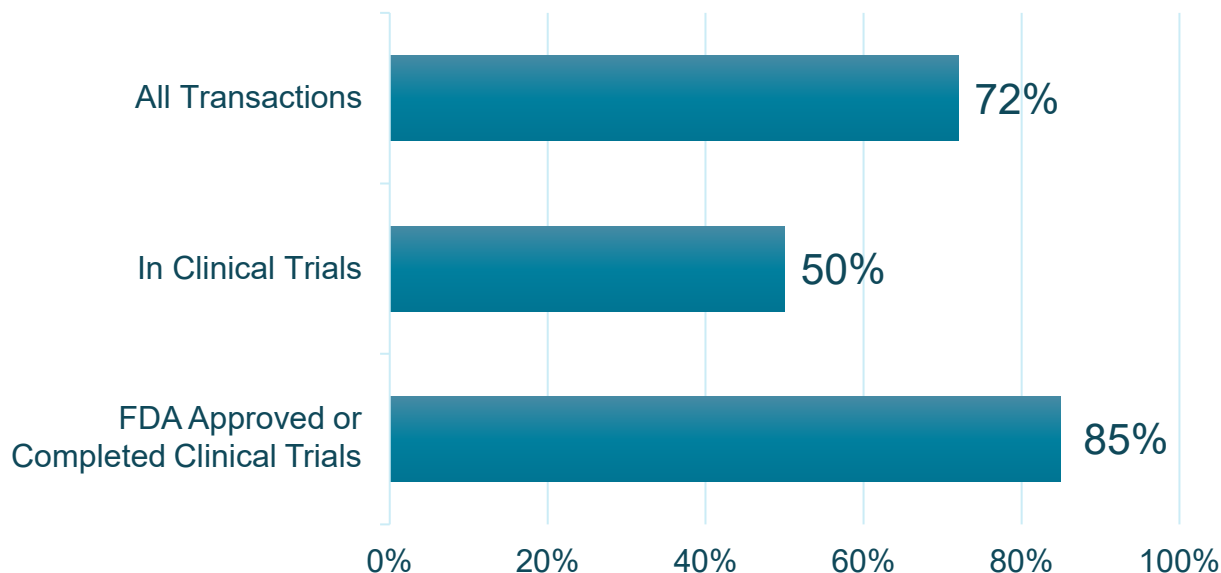


Key Finding

2025 marked the return to a deal not secured by product assets, after two straight years of secured transactions.

Maximum Return Multiple for Capped Transactions

Percent of Transactions Capped



2.00 Times
Median Return Cap Multiple

FDA Approved or
Completed Clinical Trials

4.25 Times
Median Return Cap Multiple

In Clinical Trials

1.55 Times
Return Cap Multiple

Lowest Multiple

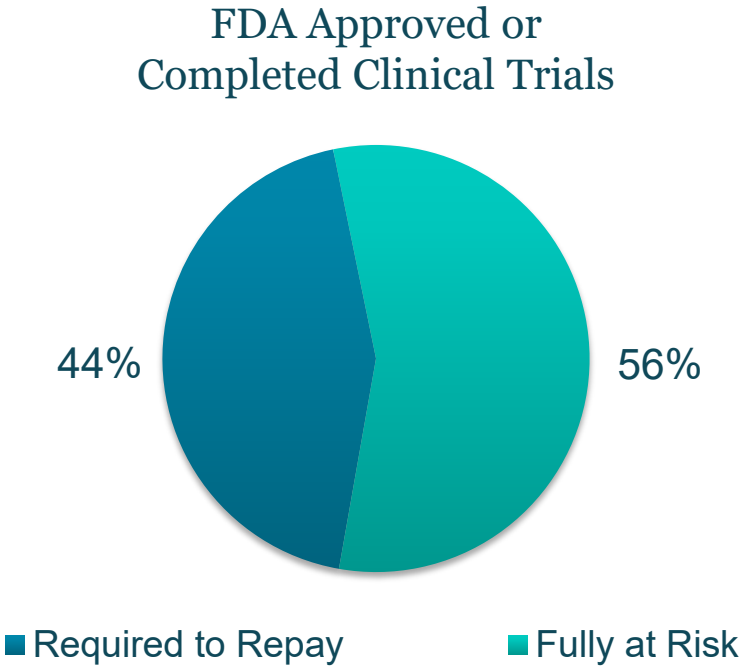
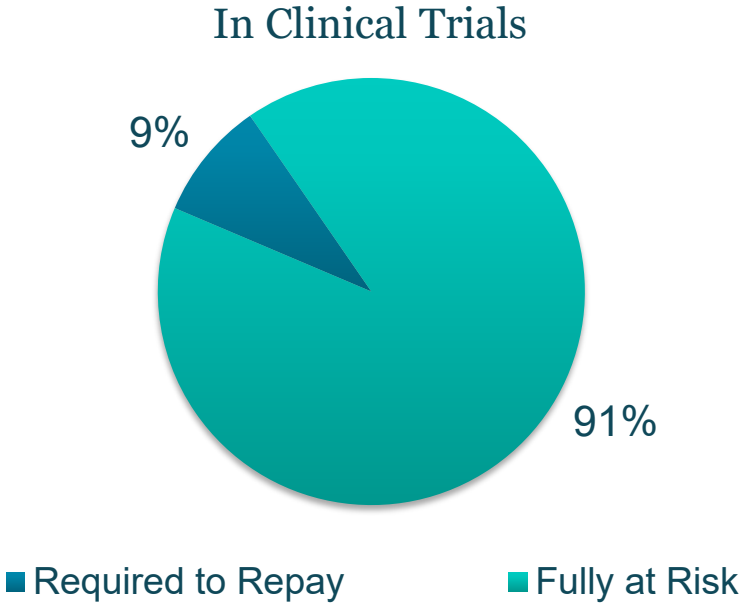
11.14 Times
Return Cap Multiple

Highest Multiple

Key Finding

A significant majority of the transactions capped the return available to the investor at a multiple of the invested amount. The size of this cap was generally inversely related to the stage of regulatory approval of the drug at issue, with debt-like investor returns for established products and equity-like investor returns for riskier products under development.

Requirement to Repay Financing

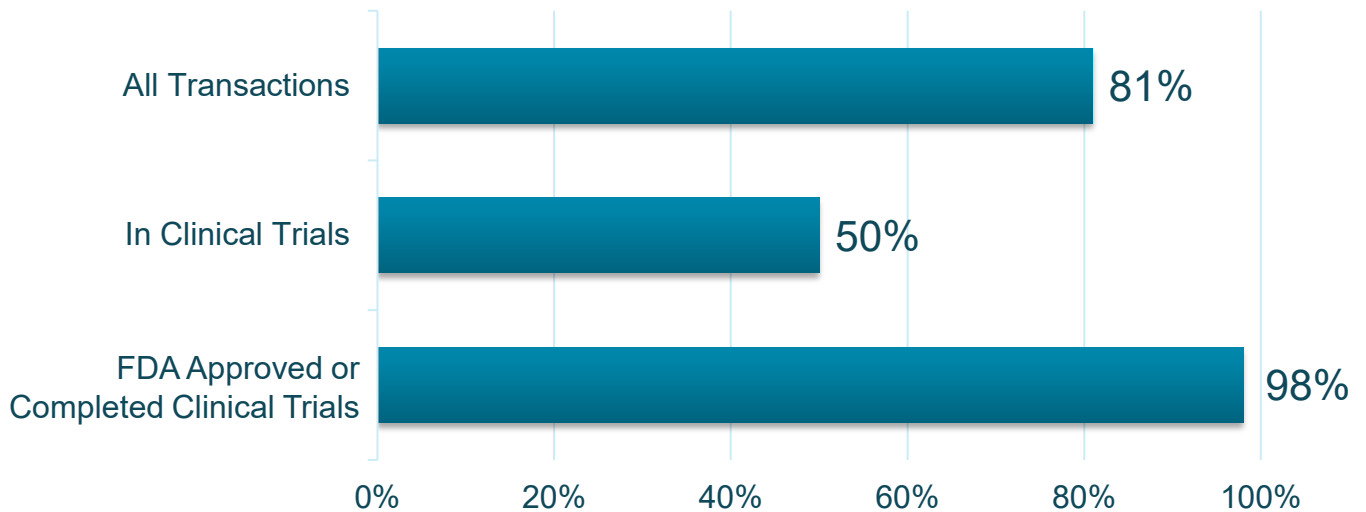


Key Finding

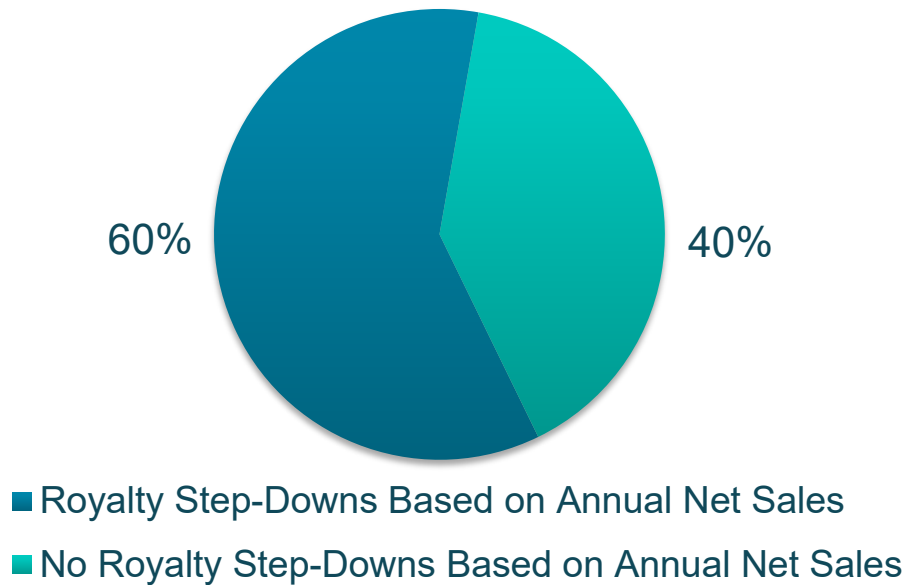
Transactions involving drugs at an earlier stage of development generally did not have any absolute requirement to repay the funded amount, while those involving drugs near or with FDA approval were more closely split between transactions with and without that requirement.

Royalty Rate Economics

Percentage of Transactions with Solely Synthetic Royalty Compensation (No Milestone Success Payments)



Within Solely Synthetic Royalty Compensation Transactions

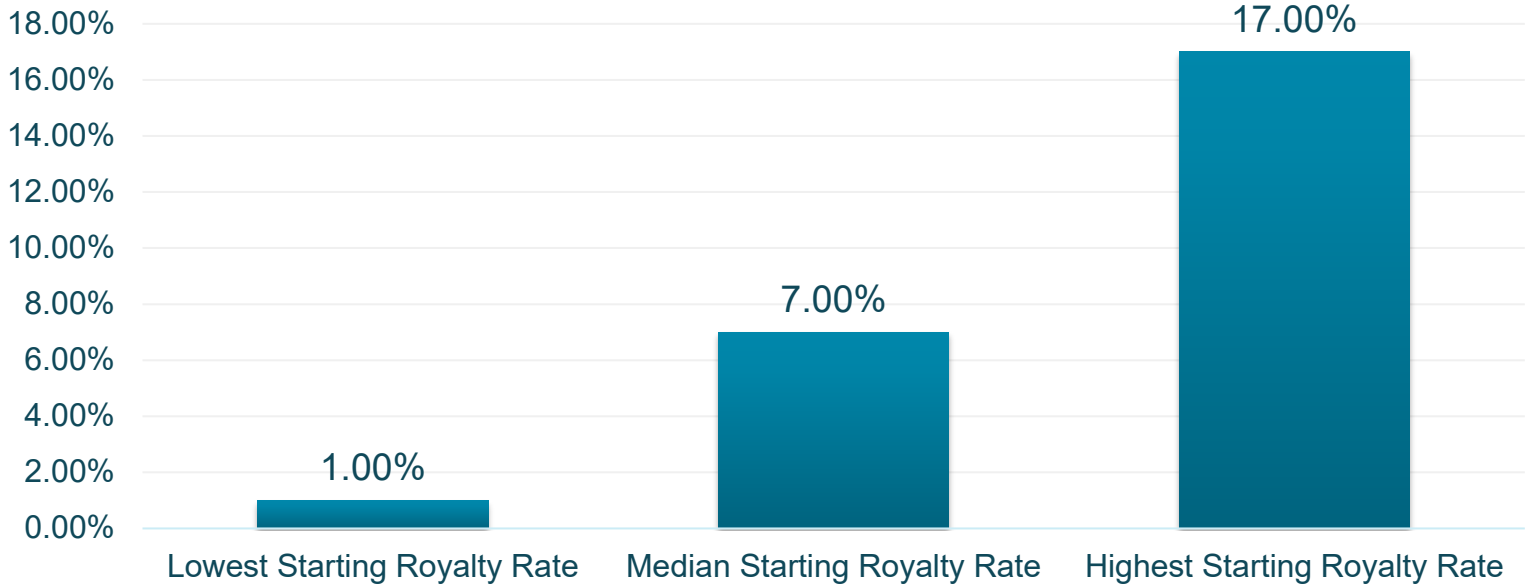


Key Finding

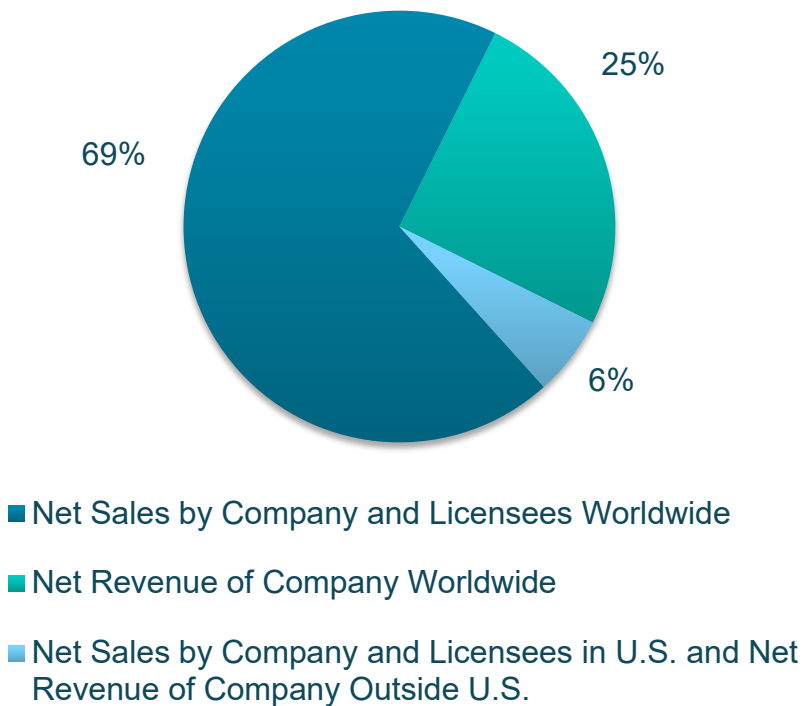
Royalty payment economics in the transactions demonstrated a broad range of structures, with a fully synthetic royalty structure the norm for products that are FDA approved or have completed clinical trials.

Royalty Rate Economics

Within Solely Synthetic Royalty Compensation Transactions



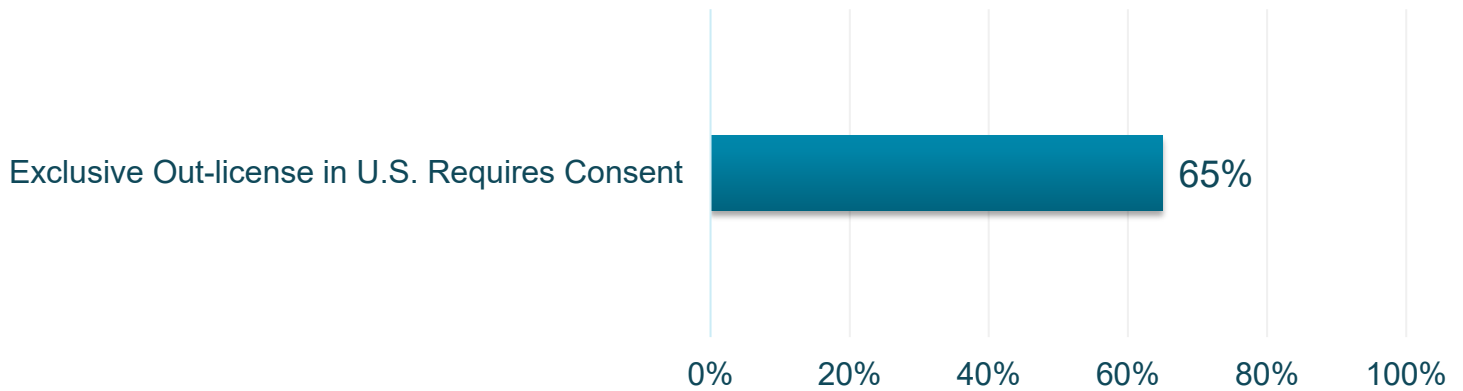
Synthetic Royalties Calculated Based On



Key Finding

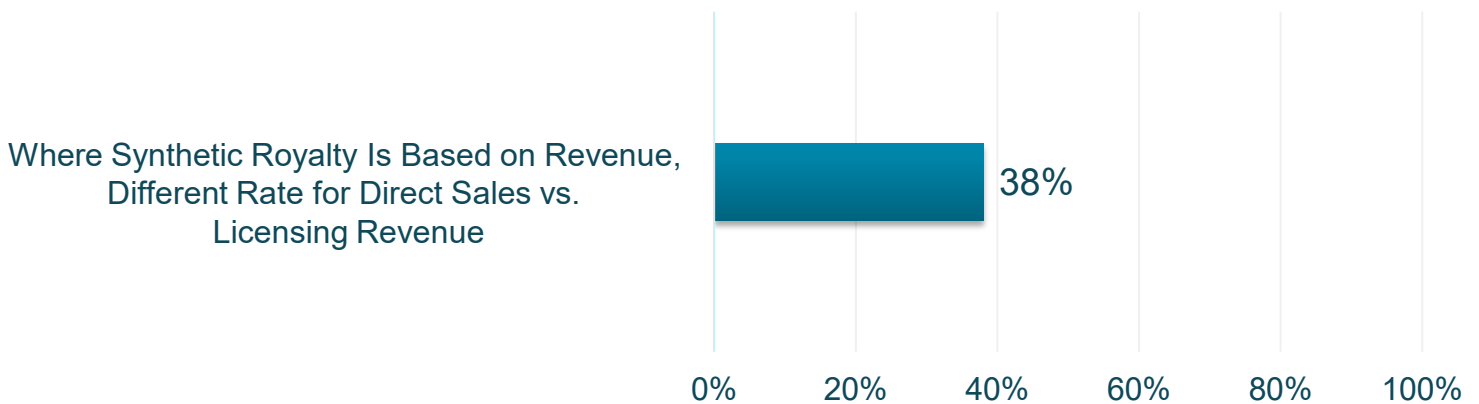
Although a majority of the transactions calculated the synthetic royalty based on net sales by the Company and its licensees, a number of transactions calculated the synthetic royalty solely based on revenue received by the Company, in particular with respect to sales outside of the U.S.

Synthetic Royalty Rate Calculation



Key Finding

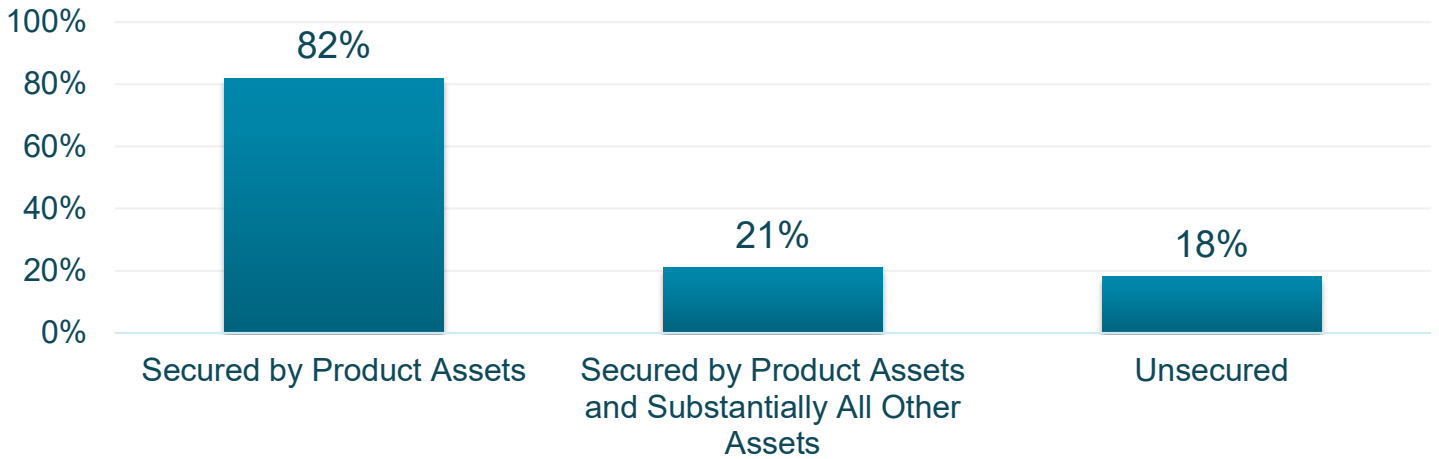
The majority of agreements prohibited exclusive U.S. out-licensing without investor consent.



Key Finding

The synthetic royalty rate did not differ in approximately a third of the transactions for direct net sales revenue vs. licensing revenue (licensing revenue typically being lower than direct sales revenue). The differing treatment may be due to whether the parties desired differential synthetic royalty rates for sales and licensing revenues or preferred a blended royalty rate.

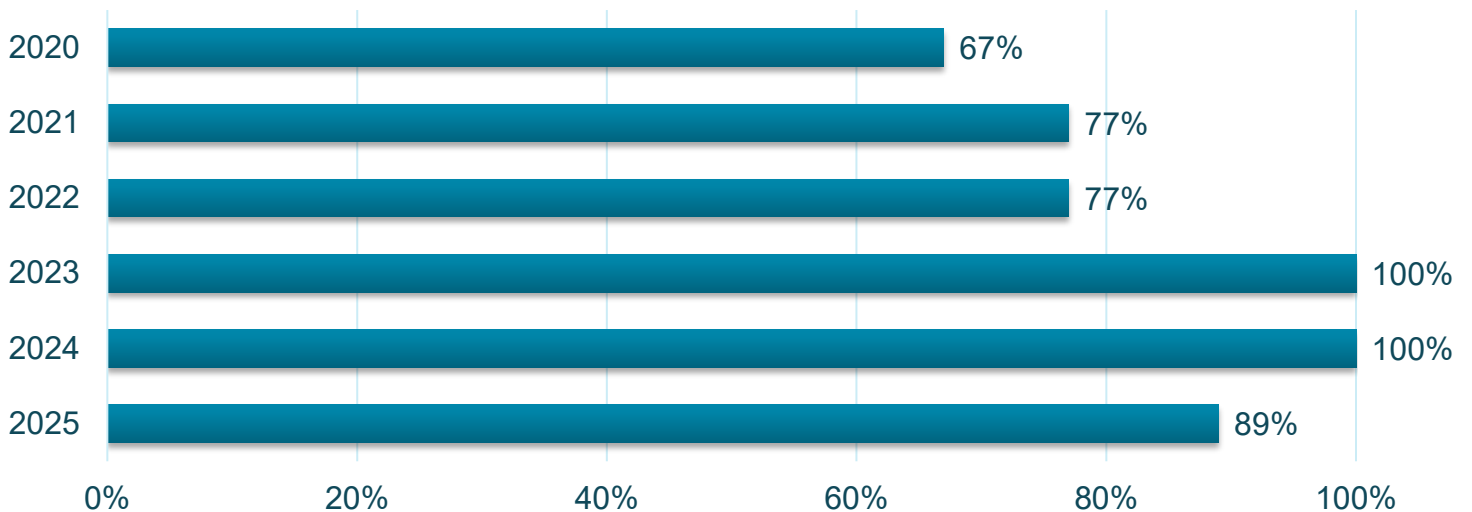
Collateral



Key Finding

These transactions are normally secured by product assets (such as intellectual property, contract rights, and related assets), and in some cases by all assets.

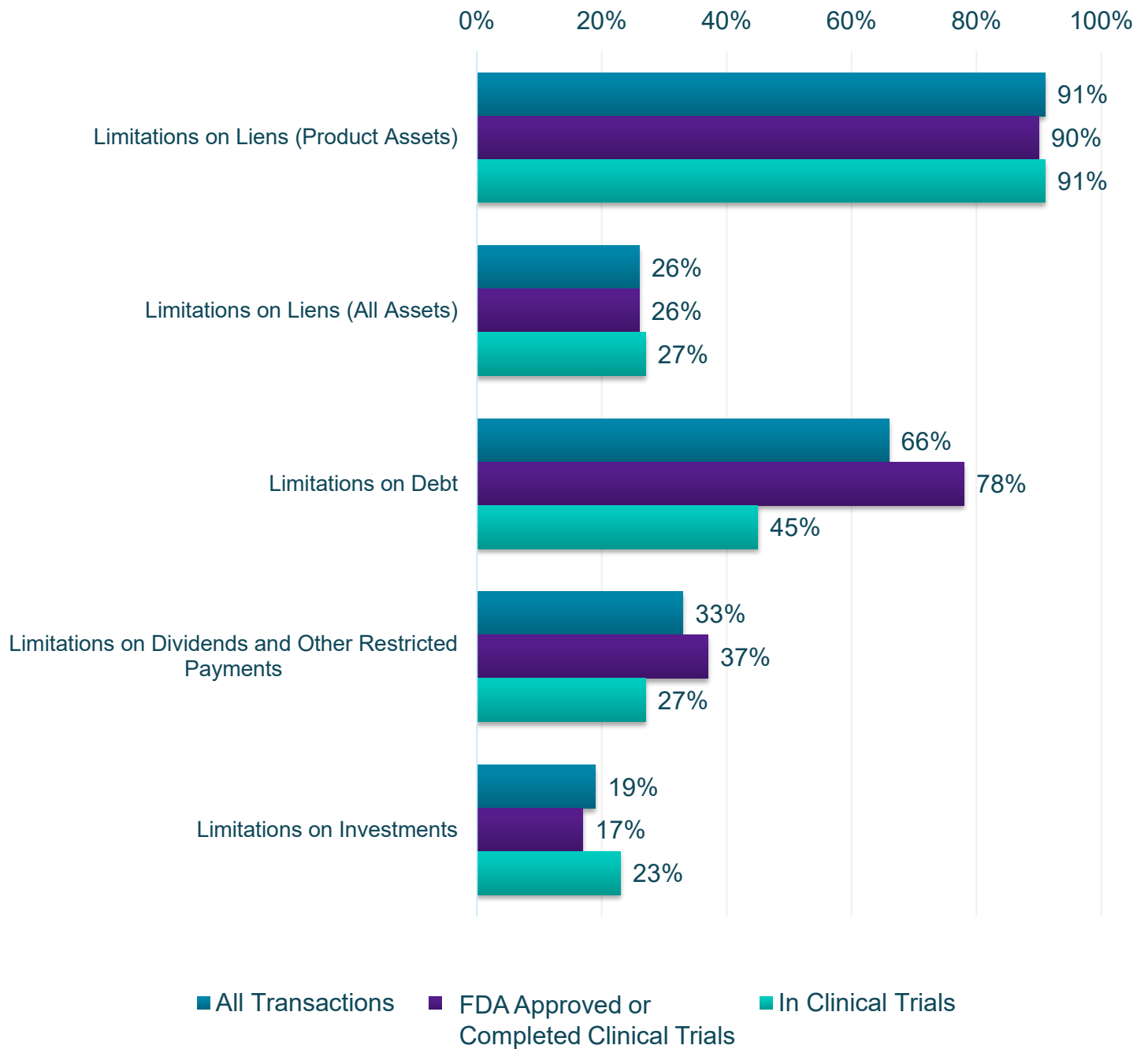
Secured By at Least Product Assets



Key Finding

After a consistent trend towards these transactions being secured by intellectual property and other product assets, 2025 marked the first year that a public synthetic royalty transaction was unsecured since 2022.

Negative Covenants

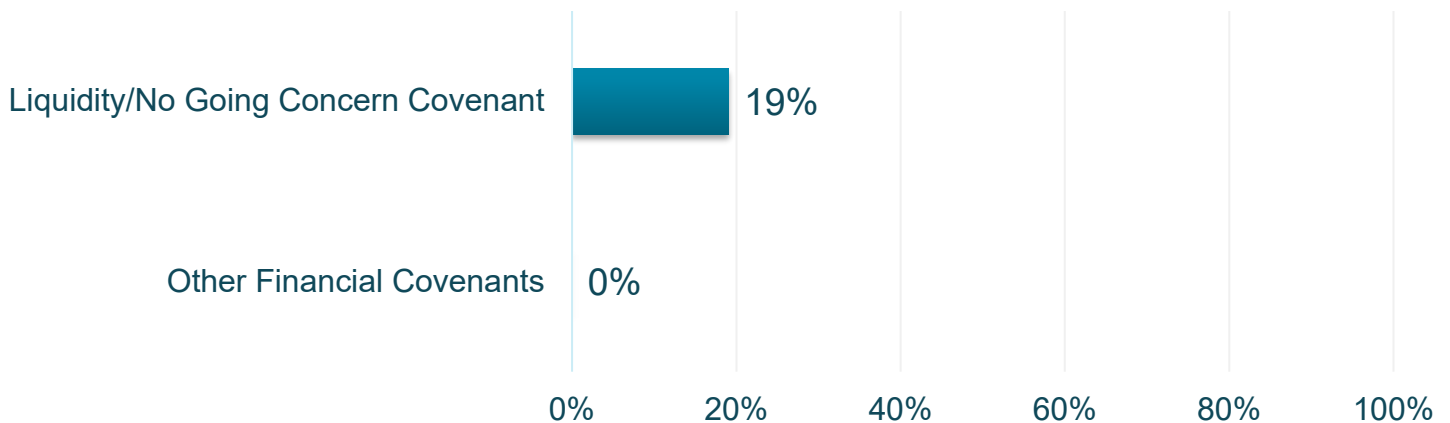


Key Finding

100% of transactions in 2024 and 2025 placed limitations on liens on product assets.

Negative Covenants

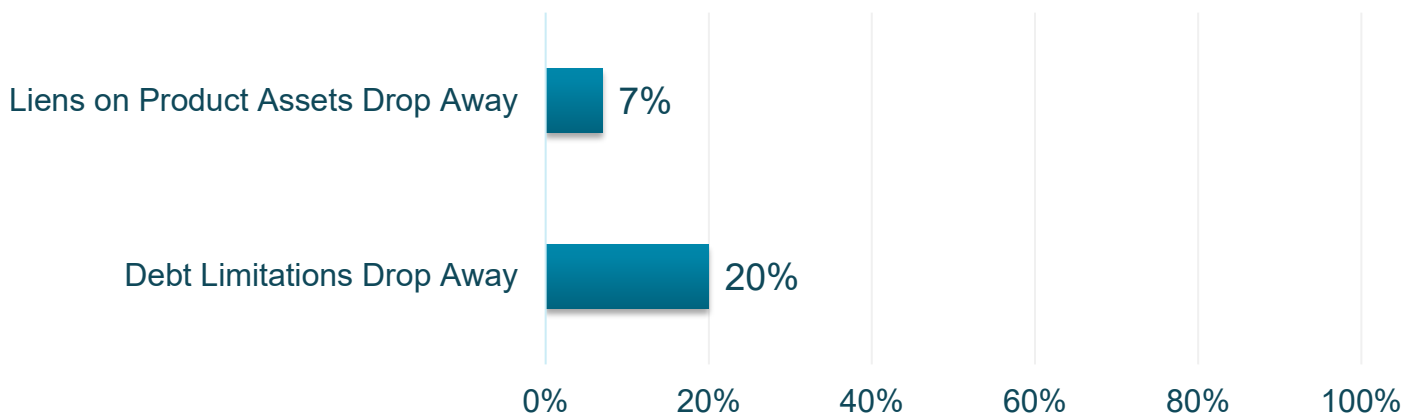
Financial Covenants



Key Finding

Financial covenants were rare in these transactions, and when included were limited to liquidity or related concepts.

Investor Protections Drop Away on Specified Investor Returns



Key Finding

Some agreements had certain investor protections fall away upon the achievement of specified returns.

Synthetic Royalty Financing Covenants (Approved Products or Completed Phase III)

Selected Terms – By Investor (2 or More \$100M+ Transactions)

Debt-like covenants in synthetic royalty deals vary from investor to investor. The chart below shows, by investor, how often debt-like covenants are included.

	Overall	Investor 1	Investor 2	Investor 3	Investor 4	Investor 5	Investor 6	Investor 7
Required to Repay	52%	All	Most	All	Some	Some	None	None
Put Right for Change of Control	85%	All	All	All	All	All	All	Some
Put Right for MAE	18%	Most	Most	None	None	None	None	None
Put Right for Covenant Breach	58%	All	Most	All	All	Some	Some	None
Put Right for Rep Breach	41%	All	Most	Some	Some	Some	Some	None
Put Right for Other Debt Default or Acceleration	50%	All	Most	All	None	Some	Some	None
Limitations on Debt	84%	All	All	Most	All	All	Some	Most
No Other Debt Allowed With Lien on Product IP	42%	All	Most	Some	None	None	Some	None
Limitations on Investments	20%	All	Some	None	None	Some	None	None
Limitations on Dividends	44%	Most	Most	Some	None	All	Some	None

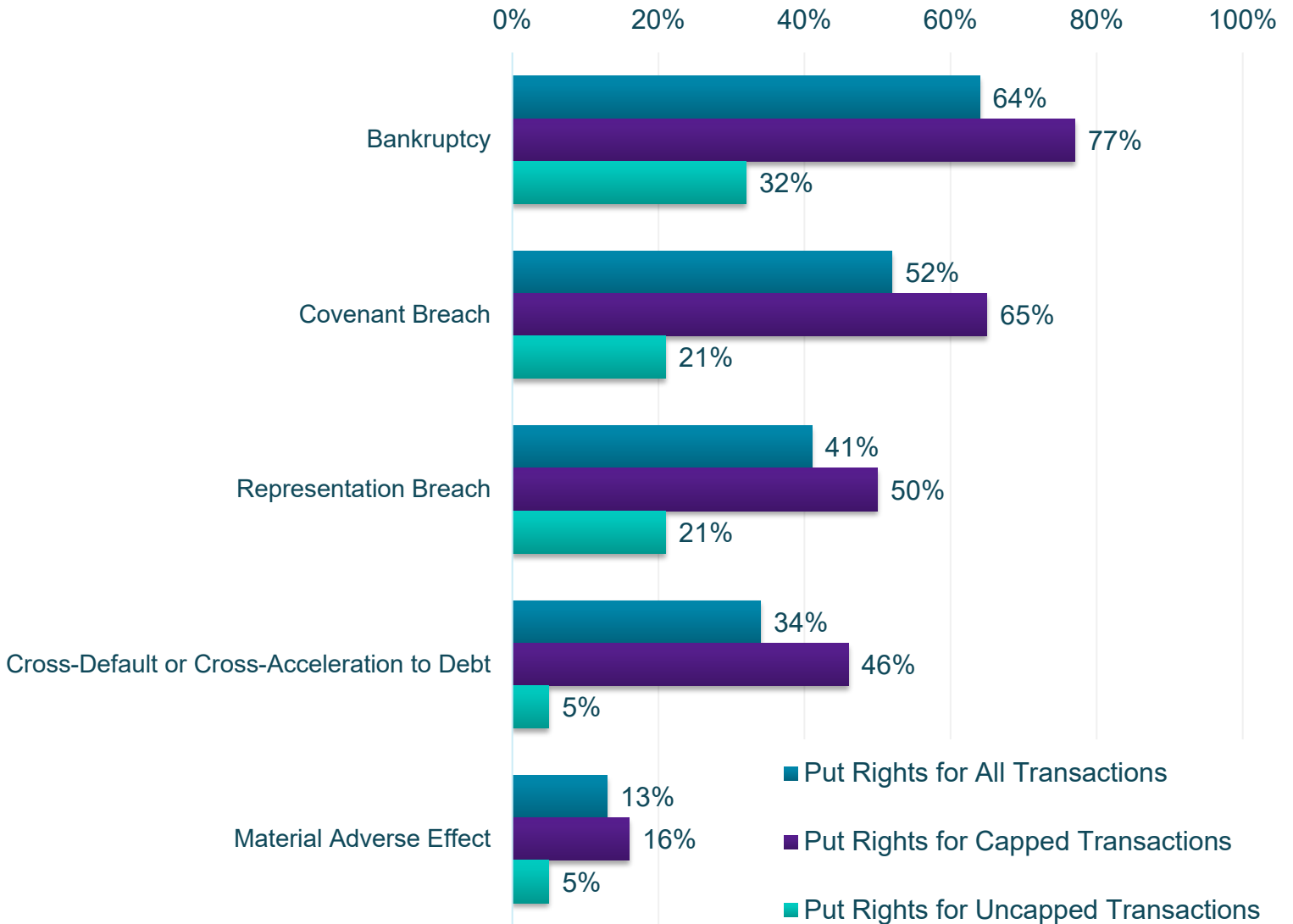
Drug Development Financing Covenants (In Clinical Trials) Selected Terms – By Investor (2 or More – \$100M+ Transactions)

Debt-like covenants in drug development financings vary from investor to investor. The chart below shows, by investor, how often debt-like covenants are included.

	Overall	Investor 1	Investor 2	Investor 3	Investor 4
Required to Repay	0%	None	None	None	None
Put Right for Change of Control	67%	All	All	Some	Some
Put Right for MAE	8%	None	None	Some	None
Put Right for Covenant Breach	42%	All	Some	Most	None
Put Right for Rep Breach	42%	All	Some	Most	None
Put Right for Other Debt Default or Acceleration	0%	None	None	None	None
Limitations on Debt	50%	All	Most	Some	Some
No Other Debt Allowed With Lien on Product IP	33%	All	Some	Some	None
Limitations on Investments	33%	All	Most	None	None
Limitations on Dividends	33%	All	Most	Some	None

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Investor Put Rights



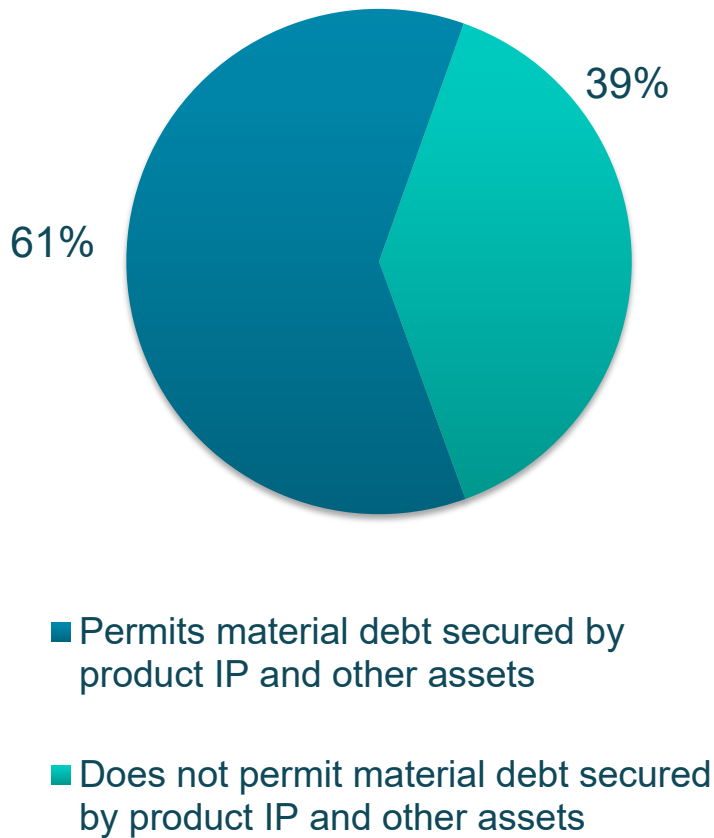
Key Finding

Put rights give the investor a return of their capital plus an agreed multiple upon certain events, which are comparable to events of default in debt transactions.

Absent a put right, the typical remedy for the investor would be an indemnity or breach of contract claim for damages.

Transactions vary widely on their inclusion and details of put rights.

Intercreditor Issues



Key Finding

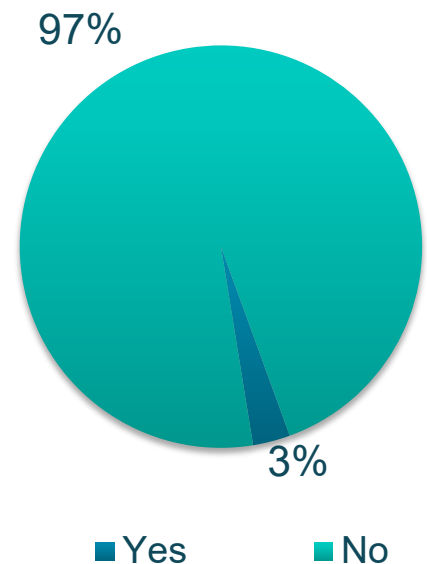
A majority of the transactions permitted material debt to be secured by product assets. In such cases, there is usually an intercreditor agreement put into place that spells out how the transaction will co-exist with this other debt, including in a bankruptcy.

In the event that bankruptcy courts do not preserve the investor's entitlement to payments following a bankruptcy, intercreditor agreements often provide in the alternative that proceeds from a sale, restructuring or bankruptcy be allocated among the investors and secured lenders according to an agreed waterfall.

Special Purpose Vehicle Structure Required

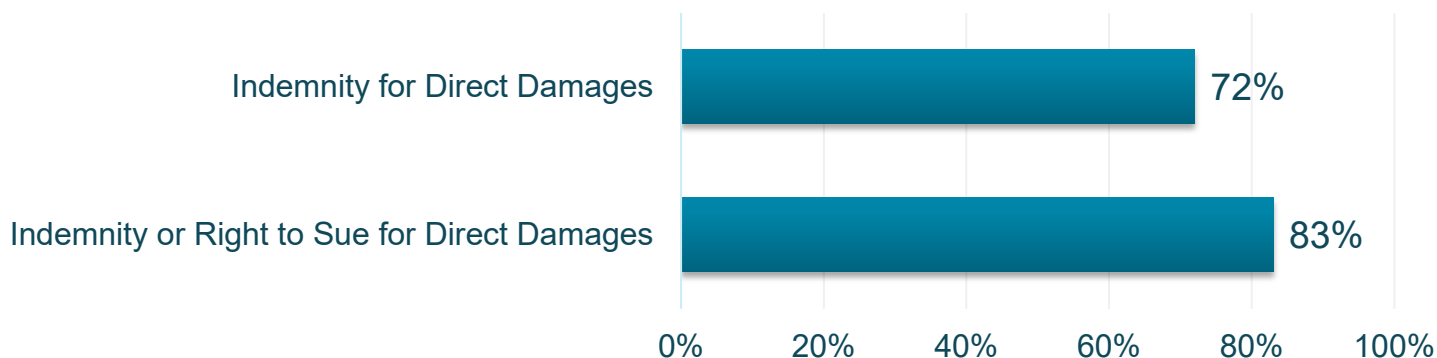
Key Finding

Most transactions did not require a special purpose vehicle structure to be put in place to hold the product assets, thus simplifying and streamlining execution.



Indemnities

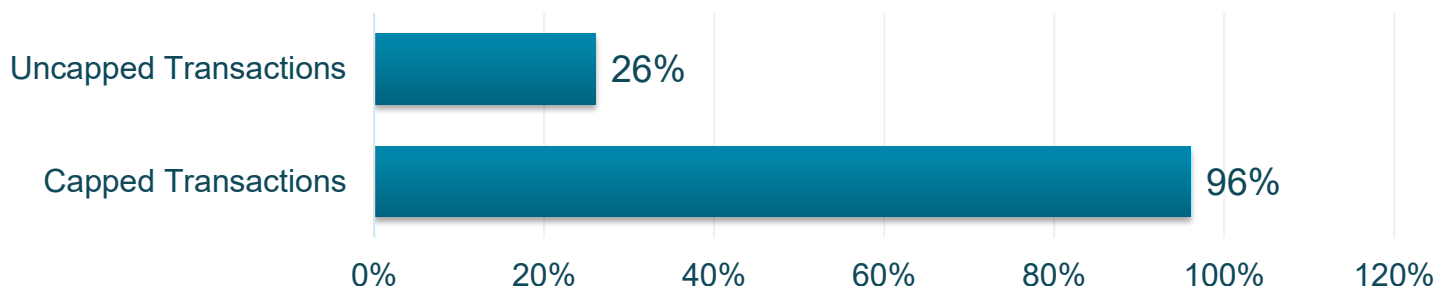
Indemnity for Losses due to Covenant or Representation Breaches



Key Finding

Companies generally agreed to indemnify investors from third party claims caused by breaches, but a majority also indemnified investors for all (not just those from third party claims) losses due to breach. An additional subset contemplated the possibility of suing for damages (even if there was no direct indemnity).

Company Buy-Out Rights



Key Finding

Given that capped transactions set a ceiling on returns, most of these transactions included the ability for the company to terminate the contract early by paying a specified amount. This flexibility is much less common for uncapped transactions, where the upside potential for the investor is greater and a buyout price more difficult to calculate.



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