

Who is the best partner for biotech start-ups: Venture Funds or Corporates?

One of the most important strategic decisions a biotech start-up faces is who to partner with. Should you raise capital from venture funds, or partner with established pharmaceutical or biotech companies?

Both options typically involve the same basic trade-off: funding in exchange for equity or commercial rights. But the type of partner you choose can strongly influence how your company develops, how fast you move, and ultimately how you exit.

Understanding the differences can help you choose the partner that best fits your science, strategy, and stage of development.

Fewer IPOs have shifted the balance

Over the past few years, public markets have shown limited appetite for pre-commercial biotech companies. As a result, venture funds and pharmaceutical companies have become even more important funding partners.

Venture funds are now playing a larger role in the development of biotech assets, often helping to advance programs through early clinical stages. Increasingly, investors prefer de-risked assets, meaning programs that already have early clinical data.

Many of these assets are now coming from China. This has contributed to the rise of NewCo structures, where Western venture funds license promising programs from Chinese biotech companies and build new start-ups around them.

Pharmaceutical companies have also benefited from the slowdown in IPOs. They now have greater access to promising biotech assets that might previously have gone public. At the same time, many pharma companies have expanded their own external investment activities through corporate venture funds.

The different approaches of venture funds

Venture funds often invest where pharmaceutical companies hesitate. Large corporations can be cautious, especially in areas where previous clinical programs have failed or where the science is highly novel.

Leading venture investors frequently bring in experienced industry executives to help shape development strategies and generate clinical proof of concept. These leaders can design new clinical development strategies to achieve clinical proof of concept and reduce risk. If the strategy succeeds, the venture fund typically exits by selling the company to pharma or taking it public.

At the same time, venture funds must ensure that their portfolio companies remain attractive to potential buyers. This often leads them to focus on areas with strong interest from pharmas. Today, that includes fields such as:

- AI-driven discovery platforms
- Metabolism and obesity
- Bifunctional antibodies and antibody–drug conjugates in oncology and immunology

Importantly, not all venture funds operate the same way. Some act primarily as financial investors. Others take a much more hands-on approach, actively shaping strategy through board participation or operational involvement.

For founders, it is important to understand the investment preferences of a fund and the way it operates.

The growing role of corporate venture funds

Many pharmaceutical companies have launched their own corporate venture funds in recent years.

With strong and recurring cash flow, these companies can reinvest significant capital into innovation and external science. Corporate venture funds complement internal R&D and partnering activities by giving corporations early visibility into emerging technologies and companies. They can also leverage their deep scientific expertise to do that.

For biotech entrepreneurs, corporate venture investors can offer a powerful signal to the market. Having a well-known pharmaceutical company on your cap table often provides scientific validation and credibility with other investors.

At the same time, corporate venture funds allow entrepreneurial scientists to remain independent and to potentially benefit from the upside of a start-up exit.

Partnering directly with pharma

Partnering a program directly with a pharmaceutical company offers a different set of advantages.

Many pharma partnerships are non-dilutive, meaning the biotech company receives funding without giving up equity. In addition, pharmaceutical companies bring extensive capabilities in clinical development, regulatory strategy, manufacturing, and commercialization.

However, these partnerships come with trade-offs. Start-ups may need to give up a degree of control over development decisions and become dependent on the partner's strategic priorities. Large organizations also tend to move more slowly, as decisions often pass through multiple internal committees.

Partnering can be particularly attractive for companies with multiple programs. One asset can be partnered to generate funding, while the company continues to develop other programs independently.

Such partnerships can also create a natural path toward a future acquisition, as pharmaceutical partners sometimes choose to acquire companies they already know well.

Choosing the right partner for your start-up

Ultimately, there is no universal answer to whether venture funds or corporates are the better partner. The right choice depends on your company's science, development stage, and strategic goals.

Before approaching investors, founders should ask themselves:

- How differentiated is our target or technology?
- Which investors are actively interested in our modality or disease area?
- Do we need a hands-on development partner or primarily financial support?

Start-ups that align their strategy with the investment focus of their potential partners significantly increase their chances of securing funding and building successful collaborations.

Basel Biotech Consulting helps biotech start-ups identify the right investors and strategic partners and supports them through the whole process. If you would like to discuss your project, feel free to reach out for a non-binding conversation.

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