

# Q2 2025 Digital Health Funding Report: Investors Back AI With Purpose as Deal Size Rebounds

*AI-powered ventures lead the way as digital health funding hits \$12.1B in Q2 2025, with Europe outpacing global trends and deal size rebounding.*

BOSTON, MA, UNITED STATES, July 9, 2025 /EINPresswire.com/ -- AI Drives Bigger Bets as Europe Surges Ahead: Galen Growth Releases Q2 2025 [Digital Health Funding](#) Report

A new report by Galen Growth reveals that global digital health investment is entering a more mature and disciplined phase, as ventures backed by artificial intelligence (AI) and clinically validated models take the lead. In Q2 2025, \$12.1 billion was deployed across 616 deals, signalling resilience in the sector despite a 13% year-on-year drop in total funding.

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AI-driven innovation is no longer optional—it's now the backbone of digital health growth.”

*Dr Sara Schmachtenberg,  
Head of Research*

Galen Growth, the global authority on digital health intelligence, today published its Q2 2025 Digital Health Funding Trends report. The report finds that average deal sizes have grown substantially—especially at the late stage—indicating that investors are doubling down on fewer but more proven ventures.

Europe Emerges as the Funding Growth Engine

Europe saw a standout performance with a 1.65x increase in funding compared to the same period last year, capturing 28% of global investment and outpacing North America. Meanwhile, the United States experienced a 29% drop in deal value, reflecting cautious capital deployment amidst macroeconomic pressures.



Cover of Galen Growth's Q2 2025 Digital Health Funding Trends report, highlighting the sector's shift from hype to measurable health impact.

## Artificial Intelligence Remains Centre Stage

AI-led ventures captured 65% of total venture capital in the first half of 2025, confirming sustained investor confidence in its transformational potential. Among the 27 mega deals recorded, the majority went to AI-powered platforms advancing diagnostics, health system productivity, and pharmaceutical R&D.

High-profile examples include Isomorphic Labs' \$600M strategic round and Neko Health's \$260M Series B. Late-stage financing saw deal sizes increase 1.6 times year-on-year globally—2.0x in Europe alone.

## Health System-Facing Clusters Top Investment Charts

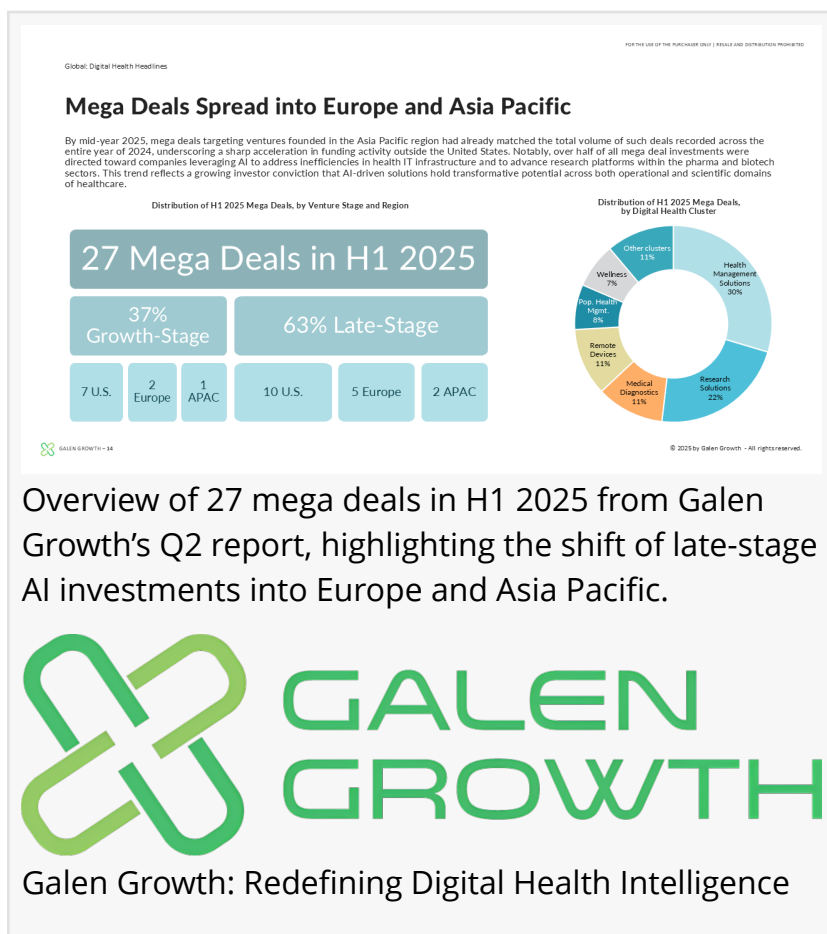
Health Management Solutions overtook all other categories to become the most funded digital health cluster, drawing \$2.71B in H1 2025. Medical Diagnostics and Research Solutions (TechBio) followed closely. These three clusters collectively accounted for more than half of all venture capital raised.

Therapeutically, Oncology, Mental Health, and Cardiovascular Diseases topped investor interest, combining for over \$4.8 billion in funding.

## Slower Exits and Partnerships, but Signs of Refinement

The report also highlights a 27% quarter-on-quarter decline in new partnerships and subdued exit activity. Just six digital health IPOs were recorded in H1 2025. However, secondary transactions are quietly gaining traction as an alternative route to liquidity.

"This quarter reinforces that digital health is no longer driven by hype—it's being reshaped by hard data, clinical outcomes, and commercial discipline," said Julien de Salaberry, CEO of Galen Growth. "Europe's momentum and the rise of AI-driven solutions signal a new era of precision and purpose across the industry."



## Looking Ahead: Precision Over Popularity

Galen Growth's forecast for 2025 projects total funding of \$24.8 billion, assuming stable macroeconomic conditions. While a broad IPO recovery is unlikely this year, AI ventures that can convert validation into revenue are expected to continue attracting capital.

The report positions the remainder of 2025 as a pivotal period in which scale-ups must prove their business models or risk being left behind. HealthTech Alpha data suggests many late-stage companies will need to return to market before year-end, with less than 12 months of funding runway on average.

Julien de Salaberry

Galen Growth

[julien.desalaberry@galengrowth.com](mailto:julien.desalaberry@galengrowth.com)

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