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From Public Funds To VCs: Swiss Financing For Swiss Biotech

Innovation Grants And Mid-Stage Raises

by Ayisha Sharma

While most of the cash for Swiss biotech firms comes from outside the country, around 20% is provided by Swiss entities. *Scrip* spoke with two of these home-grown supporters of life sciences innovation about the move from academia to industry and their respective investment strategies.

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Despite the macroeconomic challenges that have beset the global life sciences sector, biotech firms in Switzerland together raised more than CHF1.3bn (\$1.45bn) in 2022 according to the Swiss Biotech Association's latest annual report. Around CHF780m of this was collected by public companies with the remaining CHF550m collected by privately held firms.

Roughly 80% of investment in financing rounds for Swiss biotech firms comes from foreign companies, but the remainder comes from a handful of domestic entities – both public and private – working to advance R&D from within. On the publicly funded side, innovation agency Innosuisse has helped many academic spin-offs find their feet.

From Academia To Start-Ups And Beyond

Innosuisse backs R&D projects born of collaborations between academia and industry across a range of sectors with an eye to boosting the domestic economy through job creation and other benefits. It offers a variety of grants to advance science-based innovation projects, create start-ups and help existing companies enhance their networks and knowledge.

“We don't actually decide ourselves at the Innosuisse office who gets the grants – that's the job of the independent innovation council,” the agency's co-head of communications Lukas

Krienbuehl told *Scrip* at the 25th annual Swiss Biotech Day meeting in April.

“The main criteria the council considers are whether the project idea is innovative, could create value in Switzerland and the experience level and competency of the team behind it,” Krienbuehl explained. Innosuisse is therefore entirely agnostic to company stage, R&D focus and drug modality.

However, given Switzerland’s strong academic environment and resultant vibrant start-up scene – with around 300 new start-ups created each year – many of the projects Innosuisse funds are at the early stage.

For instance, the organization provided a grant to a group of researchers at the University of Bern to further develop their findings. Later, these researchers incorporated Sensawear, a spin-off which is developing a wearable monitoring system to alert caregivers of when patients need to be moved to prevent bedsores based on their tissue oxygen saturation levels.

“The project leading to the incorporation of Sensawear is a strong illustration of the multi-disciplinary expertise available for life science firms to draw from in Switzerland. As a medical project, it had to get on board engineers to develop the sensors and IT specialists to translate the signals so that they can be understood by hospital staff,” Krienbuehl explained.

SMEs are especially well-placed to benefit from Innosuisse’s Innovation Cheque grant, a voucher worth up to CHF15,000 for companies with less than 250 full-time employees to commission preliminary studies and analyses of their idea and its market potential in collaboration with a Swiss research partner.

Notably, the number of Innosuisse project applications and projects grants in life sciences has remained more or less stable in recent years, in spite of recent industry headwinds (see graph below).

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Addressing The Mid-Stage Funding Gap

Last year, the two largest financings within Swiss biotech were for public companies [VectivBio Holding AG](#) and [ADC Therapeutics SA](#), whose lead programs are at the Phase III and confirmatory stages, respectively. The former raised CHF177m while the latter raised CHF166m.

As for privately held companies, preclinical-stage firm [CDR-Life, Inc.](#) took the top spot, raising CHF72m in a series A round completed in April 2022. These cases suggest that while very early-

stage and advanced clinical-stage Swiss biotech firms have relatively smooth access to financing, there remains a gap for the companies that sit somewhere in the middle. (Also see "[CDR-Life Raises \\$76m To Develop Next-Generation T-Cell Engagers](#)" - Scrip, 13 Apr, 2022.)

“The funding gap for mid-stage firms is especially challenging in Switzerland because we are not part of the EU, meaning the biotechs here are not priority targets for many of the larger funds backed by EU money, such as Bpifrance and the European Investment Fund,” Pureos Bioventures’ managing partner Klaus Breiner told *Scrip*.

This is where Swiss VCs such as Pureos have an important role to play. In 2021, Pureos expanded its fund size to \$205m, making it the largest institutional Swiss VC fund investing solely in private biotech companies.

Earlier this year, Pureos took part in Allschwil-based [Alentis Therapeutics](#)’ \$105m series C raise to advance its anti-Claudin-1 antibody pipeline. Alentis’s lead program, ALE.F02, is set to start a Phase II kidney fibrosis trial in the second half of the year and a Phase Ib liver fibrosis trial in the second quarter. (Also see "[Alentis Adds To Bank Balance And Rides The Claudin Wave](#)" - Scrip, 13 Apr, 2023.)

“When we consider investing in a company, we tend to look at three main pillars. The first is the science underpinning the asset and its competitive edge,” Breiner said. “The second pillar is the management team and the qualifications of those within it – typically, at the early stage, the teams are still incomplete and we can help build them up.”

Pureos has a network of managers it can redeploy into leadership positions at the companies it invests in and the VC also works with external headhunters to scout new talent. “The third pillar is the shareholder base, and that involves finding other investors to join us if it’s an early-stage company or, if it’s in the later stages, we examine the syndicate that’s already there and whether there are enough reserves around the table,” Breiner concluded.

Pureos also invests in early- and mid-stage biotech companies based outside of Switzerland with notable names including German radiopharmaceuticals firm [Ariceum Therapeutics GmbH](#) and Singaporean company [Hummingbird Bioscience](#), which is nearing proof-of-concept for its HER3 monoclonal antibody approach in oncology.