VC as an asset class – Movement in the market

Swiss venture capital continues to gain in maturity. An active financing environment faces a brisk environment for corporate sales, but there are also challenges.

After a few years of strong growth, investment in 2017 flattened somewhat. But the market has matured. On the start-up side, ICT has established itself as the second most important sector alongside biotech. On the investor side, investments are no longer made only through traditional venture capital fund vessels, but increasingly via club deals or co-investments by family offices, entrepreneurial families and private individuals.

The traditional single or fund of funds business is changing rapidly, as institutional investors increasingly want a choice of different degrees of involvement. The professionalisation of the venture capital investment market is progressing, with more diverse offerings and new access possibilities.

Growth financing in the CHF 2m to CHF 10m range occurred more often in 2017. This sends out signals and incentives to investors: if follow-up financing is missing later on, early-stage investors are less willing to accept higher-than-average risks if the prospects for success appear to be blighted from the start.

Sales are not enough

Proceeds from company sales or IPOs should preferably be reinvested in new companies. It is essential that not only sales take place, but that investors are compensated for the risks taken with attractive returns. Swiss start-ups have attracted attention in recent years, particularly through sales to larger companies. One downside is that investment from Swiss capital, such as through domestic pension funds or traditional banks, remains very low. The gap can be partially offset by foreign investors, but domestic 'pioneer' investors would benefit even more from the potential available.

According to a recent study by Dealroom.co for 2015 to 2017, Switzerland also has the lowest ratio of all European countries: on average, only a quarter of the capital ultimately invested in start-ups over the entire period was collected through Swiss venture capital funds.

Selection of largest Swiss exits 2012-2017*

M&A's

Company	Buyer	Sector	Exit year	Company Valuation
Hybris	SAP	ICT	2013	EUR 1,032m
Fumapharm	Royalty Pharma	Biotech	2012	> USD 761m
AutoForm	Astrog	ICT	2016	CHF 700m
EngMab	Celgene	Biotech	2016	USD 600m
Symetis	Boston Scientific	Medtech	2017	USD 435m
Jobs.ch	Ringier and Tamedia	ICT	2012	CHF 390m
Okairos	GlaxoSmithKline	Biotech	2013	USD 325m
Ricardo.ch	Tamedia	ICT	2015	CHF 240m
GlycoVaxyn	GlaxoSmithKline	Biotech	2015	USD 190m
Finox	Gedeon Richter	Biotech	2016	CHF 190m
Endosense	St Jude	Medtech	2013	CHF 170m
Digitec	Migros	Consumer Products	2012/2015	CHF 140m
OncoEthix	Merck & Co	Biotech	2014	USD 110m

IPO's

Company	Buyer	Sector	Exit year	Company Valuation
Bravofly Rumbo Group	IPO (SIX Swiss Exchange)	ICT	2014	CHF 701m
AC Immune	IPO (US NASDAQ)	Biotech	2016	USD 652m
Crispr Therapeutics	IPO (US NASDAQ)	Biotech	2016	USD 626m
ObsEva	IPO (US NASDAQ)	Biotech	2017	USD 557m
Molecular Partners	IPO (SIX Swiss Exchange)	Biotech	2014	CHF 470m
Auris Medical	IPO (US NASDAQ)	Biotech	2014	USD 266m
Kuros BioSciences	Reverse Merger (SIX)	Biotech	2016	CHF 232m
GeNeuro	IPO (Euronext)	Biotech	2016	EUR 180m
Genkyotex	Reverse Merger (Euronext)	Biotech	2017	EUR 166m
WiseKey	IPO (SIX Swiss Exchange)	ICT	2016	CHF 145m

* Not exhaustive and only if the takeover price was announced publicly. The company valuation for IPOs is calculated based on the closing stock price on the first trading day.

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