Who's got the cash?

A brief guide to Swiss investors in life sciences

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Individual investors

Invest their own money and often have an emotional attachment to the investment. Reasons to invest may be very personal and varied, such as: to make money, to diversify, to gamble, to get a board seat, to give meaning to their investment, to support entrepreneurship, to find a cure for a family member, etc.

Friends, family, and fools (FFF)

FFF come from your immediate close network. "Fool" means that they are ready to accept the very high risk of a fledgling project simply because of their relationship with the founder. Trust is the driver here. However, we still recommend formalized agreements even for FFF while avoiding any clause that could impede further investments.

Pros:
- Easy to get.
- Short timelines, as no or light due diligence.

Cons:
- Too many FFF increase the number of non-strategic investors on the cap table, which may be a problem down the road.
- If things go wrong and the person investing has not fully understood the associated risks, it may put your relationships in jeopardy.

Private investors and business angels

Business angels are (ultra) high-net-worth individuals who invest a part of their wealth into start-ups. As business angels directly invest their private funds, they may feel more strongly about their investment than a bank or VC. Emotions may put pressure on the founders. Private investors are often motivated to support start-ups and bridge perceived funding gaps. However, they should not be confused with philanthropists. While they are ready to take a risk, they expect adequate rewards if their bet pays off.

As you should for any investor, conduct your own due diligence before accepting their money, ideally with other companies already supported by this angel. Note that you will frequently meet people inadequately describing themselves as "business angels" because they once invested 10K in a start-up; it may be worth investigating a bit before entering into lengthy and unfruitful discussions.

Business angel clubs are informal gatherings of high-net-worth individuals taking place a few times per year. Their goal is to offer access to a stream of potential deals with presentations by start-up management at the event and to facilitate networking. Investments are made as direct – not grouped – investments and may range from a few 100K to a few million.

Pros:
- Some angels may want to influence their investment more directly by formally requesting a board seat or informally by opening their network and providing advice.
- Angels who were successful professionals or entrepreneurs in your field of activity will bring some validation to your project (what if Hans Jörg Wyss were to invest in your medtech or Ernesto Bertarelli in your biotech company?).

Cons:
- Angels may be unpredictable or emotional. In times of crisis, they may want to be more actively involved or even to micromanage. If they are not experts in the field, this may be a hindrance, as meeting their needs may consume precious resources.
- They often have an emotional reason for which they invested in your project. But this could lead to unrealistic expectations such as helping to cure a relative with cancer.

Swiss examples of business angel clubs:

Business Angels Switzerland BioBAC StartAngels Network

Business angel communities

Business angel communities pool investments (syndication), giving members the possibility to invest in start-ups, starting at a few thousand per start-up. Syndication allows members to invest in a diversified portfolio with a limited amount of money. Some members of business angel communities are themselves business angels, but most cannot be considered as such individually. This model is considered « crowd investing » rather than crowdfunding (note that crowdfunding is not that common for spin-offs, particularly in the life science sector). The total investment from a business angel community will usually be lower than from a VC, but such communities may invest in earlier-stage projects. The due diligence process may be close to what is done by a VC. Some business angel communities request a lot of pitching, asking you to present to multiple investors subgroups. Depending on your situation, this can either be a unique opportunity to pitch and get funded or constitute a loss of time if you intend to raise higher amounts quickly.

Pros:

- Some business angel communities have subgroups that focus on key areas (e.g. healthcare) and then propose the selected investments to the rest of the community. They can, therefore, be seen as specialized investors by other investors and raise further interest.

Cons:

- The process until a decision for a first round is reached may be long for a limited amount of money.

Swiss examples of business angel communities:

Institutional investors

Invest money on behalf of others (their own investors, their parent company, their customers, etc.). Beyond making wise investments, they have to show to their own investors that they scout, screen, analyze, and select the right spin-offs.

Venture capital firms (VC)

A venture capital firm is run by one or a group of investors (called general partners, GP). They invest their own money (usually a few % of the total fund amount) together with money from wealthy individuals or other institutional investors such as pension funds (called limited partners, LP) in businesses that are riskier than a traditional bank would be willing to invest in (hence the term "venture"). VCs are crucial players in start-up financing. Some specialize in early rounds (e.g. pre-seed and seed), some in later stages (growth capital). Many invest across the board. Some VCs are generalists, and some are specialists (e.g. healthcare). Specialization may allow them to have a stronger network and more relevant expertise, allowing a better analysis of investment opportunities. Many claim that they focus on one (e.g. medtech) or a few areas ("verticals"), but most remain somewhat "opportunistic" (i.e. open to a good opportunity if one presents itself). Most will have more or less the same investment criteria: a high unmet medical need, a breakthrough technology, and a convincing team. One or many VC partners are usually experts in the industry and will regularly request a board seat and appropriate investment protection terms, which typically go beyond those requested by individual investors.

Pros:

- VCs often have the resources to engage in follow-on rounds.
- They often provide advice and access to their network.

Cons:

- Some VCs will aggressively negotiate investment terms.
- VCs must exit from their investment at some point, which may deviate from your own strategic objectives and therefore lead to tensions.

Examples of VCs active in Switzerland with keen interest in life sciences start-ups:

Rather earlier stages:

Rater later stages:

Interested in co-creation of companies:

Corporate venture capital (CVC)

Corporate venture capital allows the direct investment of corporate funds into a start-up. In life sciences, most healthcare giants have a venture arm. Investments may be strategic, where only start-ups in the company's fields of interest are invested in (e.g. Helsinn Investment Fund) or broad (e.g. Novartis Venture Fund). A specialized team usually manages investments within the company, sometimes within the business development and licensing (BD&L) or Search and Evaluation (S&E) teams, sometimes operating independently.

Pro:

- A CVC investment may provide credibility, provide connections to the mother company, and may be seen as a strong signal by other investors.

Cons:

- A CVC investment could discourage competing companies and some VCs from investing, but this is rarely a problem in life sciences where co-investment is frequent.
- Strategic investors can substantially complicate investment terms and exitability.

Examples of CVC active in Switzerland:

Family offices (FO)

Very high-net-worth families sometimes hire a team to manage their assets and some operational aspects for the family (real estate, successions, etc.). This team of accountants, lawyers, investment professionals, and sometimes more specialized service providers (healthcare, real estate, etc.) are either dedicated to one or a few such families ("multi-family office"). While direct investments into individual start-ups are not their primary focus, some do invest directly, and some have set up a dedicated team to scout for opportunities. Family offices appear to be increasingly investing in individual tech start-ups (desire to have a more direct impact, younger generation of the family involved in the strategy, etc.)

Pros:

- Family offices often have deep pockets and can therefore do follow-on rounds.
- They present an often-untapped opportunity.
- They may be emotionally involved in a project they support and, therefore, loyal.
- They can offer rather founder-friendly terms

Cons:

- Most do not advertise their activities and are difficult to access.
- They are not considered strategic investors (which can be problematic in a round led only by FO).
- Set-ups and processes are diverse, and relationships can be fragile.

Examples of Swiss FO with start-up investment team:

OCCIDENT

HELVETIC TRUST
Family Office & Asset Management

Others

Banks

While start-ups are rarely financed by a classical bank loan, some banks have developed specific services to support start-ups. Some have dedicated teams that invest out of a bank fund, while some connect and facilitate their high-net-worth clients' investments into start-ups.

Swiss examples with dedicated team and fund:

Zürcher Kantonalbank

Swisscanto Invest by Zürcher Kantonalbank

Credit Suisse
Credit Suisse Entrepreneur Capital Ltd
HELVETICAPITAL

Aargauische Kantonalbank

Foundations

While the vast majority of foundations provide non-dilutive funding (and are therefore not considered as investors), some foundations offer dilutive funding (as equity or convertible loans) and will re-invest any gains in future ventures (venture philanthropy). Some foundations will request some minor pre-defined equity participation at the first round of funding (e.g. WA de Vigier Foundation). Foundations may focus more on social than on financial benefits and may accept riskier projects. They will often only invest once a co- or lead investor is identified and, therefore, will not kick-start the round.

Swiss examples:

LICHTSTEINER FOUNDATION

JFG Life Sciences Stiftung

VENTURE KICK
FONDATION DES FONDATEURS

Incubators, accelerators

In Switzerland, most, if not all, life science incubators (usually linked to an academic institution) or accelerators (often funded by private companies) do not take equity. This is in contrast to such programs in the rest of the world, which is why they are mentioned here.

Academic funds

Academic funds support spin-offs from their own university. As they have seen them evolve (e.g. in their incubator or entrepreneur program), the due diligence is usually facilitated. They can kick-start a funding round and are considered expert investors.

Swiss example:

UZH Life Sciences Fund

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