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Swiss Talent And Innovation 'Needs More Financing To Flourish'

Calls For Support Close To Home

by Ayisha Sharma

With excellent academic centers and a thriving start-up scene, Switzerland's biotech scene has garnered significant interest in recent years. However, without being a priority for EU funds, the sector remains reliant on foreign cash and needs a funding push from within to boost success.

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Trends in Swiss biotech financing last year mostly reflected global biotech doldrums as a result of macroeconomic challenges, according to the Swiss Biotech Report 2023. Equity and debt markets were difficult to access, prompting firms to turn to licensing and collaboration deals as a source of non-dilutive financing.

For instance, in January 2022, Schlieren-based *Neurimmune Holdings AG* out-licensed its Phase Ib transthyretin amyloid cardiomyopathy monoclonal antibody asset, NI006, to *AstraZeneca PLC* in return for $30m upfront and a further $730m in potential milestones as well as low-to-mid teen royalties on future sales. (Also see "*AstraZeneca Doubles Down On Amyloidosis With Neurimmune Alliance*" - Scrip, 7 Jan, 2022.)

The need for cash was further exacerbated by the near shut-down of the IPO market last year. "The days when a company could go public successfully on NASDAQ based on preclinical data and without strong early clinical data are now gone – that's not going to happen anymore," Jeito Capital partner Andreas Wallnoefer told *Scrip* at the Swiss Biotech Day meeting in April.

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Jeito Capital has recently financed several European biotech companies, including several companies originating from the Swiss ecosystem in larger rounds to enable clinical development and to accelerate innovation to patients.

“In the current environment, we see fewer early acquisitions without clinical proof of concept data. Biotech companies need to have clinical development capabilities and be able to access adequate funding,” Wallnoefer explained. In those cases where companies were able to raise funds, “we saw more large financings with professional investors and fewer small rounds.”

In April this year, Jeito co-led the $105m series C round for Allschwil-based *Alentis Therapeutics* alongside Novo Holdings and RA Capital Management. Alentis plans to use the funds to advance its anti-Claudin-1 antibody pipeline. (Also see "*Alentis Adds To Bank Balance And Rides The Claudin Wave*" - Scrip, 13 Apr, 2023.)

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Sector Reliant On Foreign Investors

Aside from recent challenges, however, one that is long-standing and yet to be addressed is the lack of domestic funding, seeing as around 80% of investment in financing rounds for Swiss biotech firms comes from foreign companies. “Switzerland has talent and it has innovation,” Wallnoefer said, referring to the nation’s rich academic resources.

Indeed, the country offers renowned institutions such as ETH Zurich – which has produced over 20 noble laureates – and École Polytechnique Fédérale de Lausanne, home to the Human Brain Project, a nuclear reactor and a Blue Gene supercomputer. However, top researchers, world-leading academic institutions and cutting-edge technology alone are insufficient for a thriving biotech scene even when Switzerland benefits from a unique industry experienced talent pool, Wallnoefer argued.

Since Switzerland is not an EU member state, its biotech firms are less prioritized for support from larger funds backed by EU money, such as the European Investment Fund. For this reason, “financing is something that’s still quite complicated here,” Innovaud life science and food tech account manager Frédéric Reymond told *Scrip*. Innovaud is an innovation hub based in the canton of Vaud in the Lake Geneva region.

The relative lack of European backing increases the importance of the handful of Swiss private venture capital firms and publicly funded innovation agencies, some of the more prominent ones being Pureos Bioventures and Innosuisse, respectively. The former expanded its fund size to $205m in 2021 and also chipped into Alentis’s series C round. Pureos’s portfolio comprises 18 companies based in Switzerland, Europe or Singapore, three of which have had successful exits through IPOs or acquisitions.

However, the firm's size contrasts with that of the Parisian VC Sofinnova Partners, which has more than €2.5bn in assets and has supported more than 500 companies to date. Over the past few years, Sofinnova has invested in multiple French biotech companies, co-leading the €75m series A raised for *Mnemo Therapeutics* and contributing to *DNA Script*'s oversubscribed $89m series B round, for instance.

Elsewhere, Innosuisse provides a variety of grants for Swiss R&D projects born of collaborations between academia and industry across several sectors, including the life sciences. Its Innovation Cheque grant provides up to CHF15,000 for companies with fewer than 250 full-time employees to conduct preliminary studies and analyses of their idea and its market potential in collaboration with a Swiss research partner.

Last year, Innosuisse approved funding contributions amounting to CHF245.4m, down from CHF329.7m in 2021. Once again, the agency's capacity seems smaller than French public investment bank Bpifrance, ownership of which is split between the state and the Caisse des Dépôts et Consignations. Bpifrance operates five separate funds dedicated to biotech and medtech companies at various stages, together worth more than €500m.

Therefore, "while there is some home-grown financial support available for Swiss biotech firms, the country is still in need of professional European investors with the competences and financial means to champion company development," Wallnoefer said. "It's important to change the mindset of investors in Switzerland to take more risks," Reymond noted, adding the country had some way to go to catch up with more abundant biotech scenes such as the US.