



## Partnering and Investment – is the VC, Pharma, Biotech eco-system dead?

Our analysis, which is based on Biotechgate<sup>1)</sup> information, shows that, even though the total amount of financing in Switzerland and Scandinavia has remained stable in recent years, the number of financing rounds of private biotechnology companies focused on therapeutics has gone down. Also the number of newly formed companies has declined in the past five years. See slides below.

Panel Participants included:

- |                   |  |
|-------------------|--|
| - Magnus Björnsne | Business Development Director and VC Liaison, AstraZeneca            |
| - Matthias Steger | Global Head Research and Technology Partnering, F. Hoffmann La Roche |
| - Sten Verland    | Partner, Sunstone Capital  |
| - Chandra P. Leo  | Investment Advisor Europe, HBM Partners Ltd                          |
| - Stefan Brägger  | Director Private Equity, CIO Global WMR, UBS AG                      |
| - Ravi Sodha      | Senior Director, Business Development, Actelion Pharmaceuticals Ltd. |
| - Patrik Frei     | CEO, Venture Valuation (Moderator)                                   |

These topics were addressed:

1. Where do VCs get their investments from and where do biotechs get the funds needed to continue their research?
2. Where do Pharma companies get the projects from to fuel their pipeline?
3. What is needed to get institutional investors to invest in biotech (again)?

A key question for the both VCs as well as biotechnology companies is, and has always been: “Where does the money come from?” For VCs this question is now more pressing than ever, as during the last 3 to 4 years, institutional investors have been increasingly hesitant to provide capital for biotech investments. Panelists pointed out that, aside from the uncertain financial environment (biotech investment almost seem to be associated with the same risk as an investment in government bonds), the (perceived) poor performance in the biotech sector is certainly a problem. Additional obstacles mentioned, are changes in the regulatory environment that tend to increase cost and time to market, and the prolonged times to strategic exits. So how and this be solved? For VCs this means to be able to convince their investors why biotechnology is still an attractive investment as compared to other possibilities such as for example cleantech or ICT. VCs have to employ creative and innovative strategies to ensure continued satisfactory ROI’s for their investors.

Biotechnology companies in turn can less rely on traditional VC funds and are forced to think outside the box and find alternative way to finance ongoing growth. Important sources of finances include funds generated from the early licensing of products, but also from corporate venture funds. Furthermore, high net worth individuals and family offices have become increasingly active in providing financing to companies. Although such funds are more difficult to access. Philanthropy investors and foundations, especially in the US belong to this same category. Interestingly, the panel did not pick-up the available EU funding, but did mention the importance of the European Investment Fund for VCs.



In response to these challenges, VCs also are employing new “forms” of investments, such as for example the financing of individual projects instead of investing in a company (the “American Idol” model). This approach reduces the unspecific risk while allowing the investor to diversify on a “project portfolio” basis, rather than leaving it to an individual company to invest in several projects. Panelists also point out that we will see the collaboration between VCs and corporate Venture Funds possibly in the form of “joint venture funds” as a model to address current funding shortages.

The Pharma industry, in turn faces a lack of suitable projects to fuel their product pipelines. And many question, where all the required new projects will be coming from in the future? The strategies to address this issue range from strengthening internal R&D, more in-licensing from biotech, to an increased focus and early collaboration with academia. Pharma has realized that without a working VC – Biotech – Pharma “eco system”, their problems will only increase. Additionally the integration of Government and Academia into this model as additional important stakeholders is one way of allowing this eco system to survive.

Conclusively the group of panelists agreed that closer collaboration between Pharma, Biotechs and VCS, as well as Academia and Government will be key for the future. There is still a large potential to increase efficiency in coordinating the work and resources of the different stakeholders and to move toward a collaborative model. Connecting the dots is more important than ever to eliminate inefficiencies and to provide all key players with an advantage and associated return on investment. Thus, meetings like the Swiss Scandinavian Bio business meeting are integral elements to foster integration and “connecting the dots” in an industry that is facing today’s challenges.

The summary of the panel discussion was conducted by Venture Valuation and does not necessarily reflect all the opinions of the panelist that participated.

<sup>1)</sup> Biotechgate is a global company and deals database with over 23’000 company profiles, licensing opportunities, management details, financing rounds and products. [www.biotechgate.com](http://www.biotechgate.com).



**6<sup>th</sup> Swiss-Scandinavian Bio-Business Seminar**  
8<sup>th</sup> February 2012 - Zürich, Switzerland

**Partnering and Investment panel –  
is the VC, Pharma, Biotech eco-system dead?**

[Magnus Biörsne](#)

Business Development Director and VC Liaison, AstraZeneca

[Matthias Steger](#)

Global Head Research and Technology Partnering, F. Hoffmann La Roche

[Sten Verland](#)

Partner, Sunstone Capital

[Chandra P. Leo](#)

Investment Advisor Europe, HBM Partners Ltd

[Stefan Brägger](#)

Director Private Equity, CIO Global WMR, UBS

[Ravi Sodha](#)

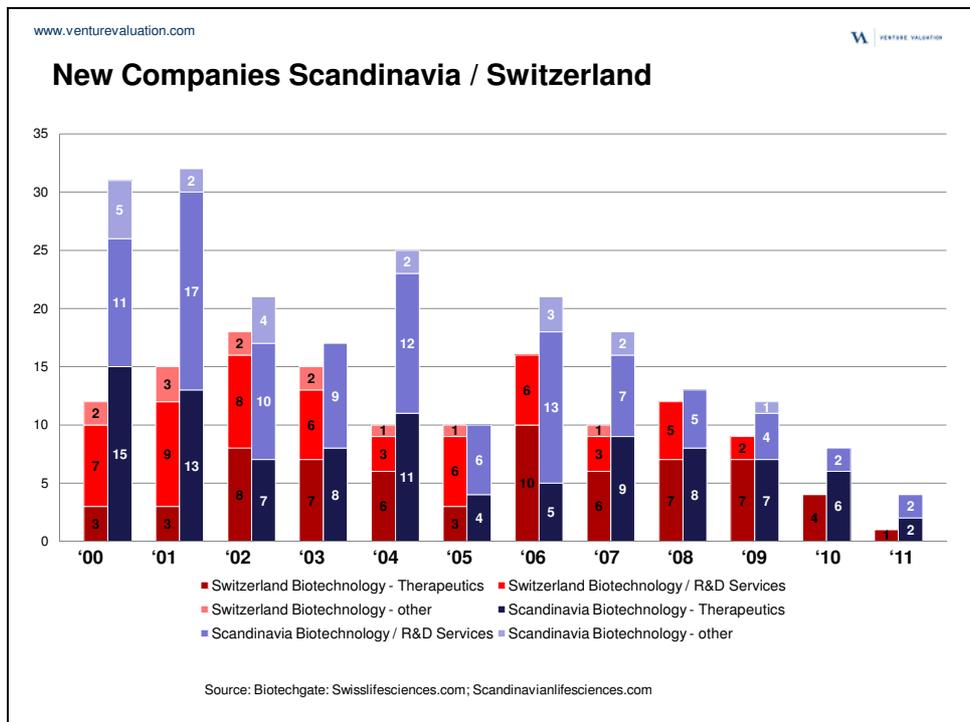
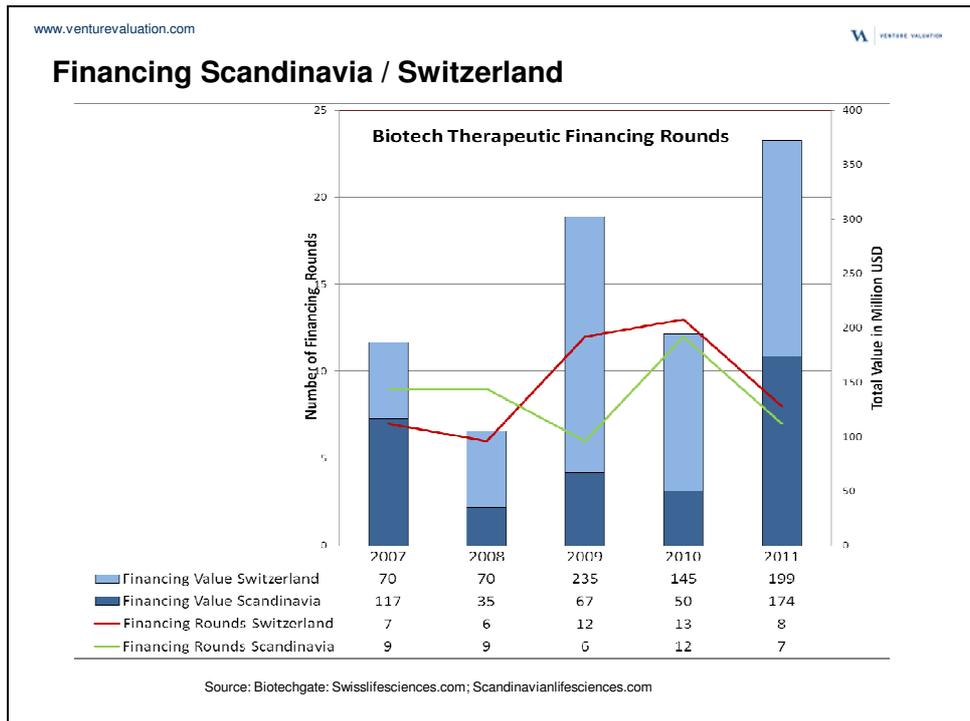
Senior Director, Business Development, Actelion Pharmaceuticals Ltd.

Moderation: Patrik Frei, CEO Venture Valuation

**Key Challenges**

- Limited funds for Biotech
- Funding for early stage research
- Cost of developing drugs is increasing
- Source of new products for Big Pharma
- Funding sources for VCs







## Panel discussion: Partnering and Investments

- [Magnus Björsne](#) Business Development Director and VC Liaison, AstraZeneca
- [Matthias Steger](#) Global Head Research and Technology Partnering, F. Hoffmann La Roche
- [Sten Verland](#) Partner, Sunstone Capital
- [Chandra P. Leo](#) Investment Advisor Europe, HBM Partners Ltd
- [Stefan Brägger](#) Director Private Equity, CIO Global WMR, UBS
- [Ravi Sodha](#) Senior Director, Business Development, Actelion Pharmaceuticals Ltd.

Moderation: [Patrik Frej](#), CEO Venture Valuation