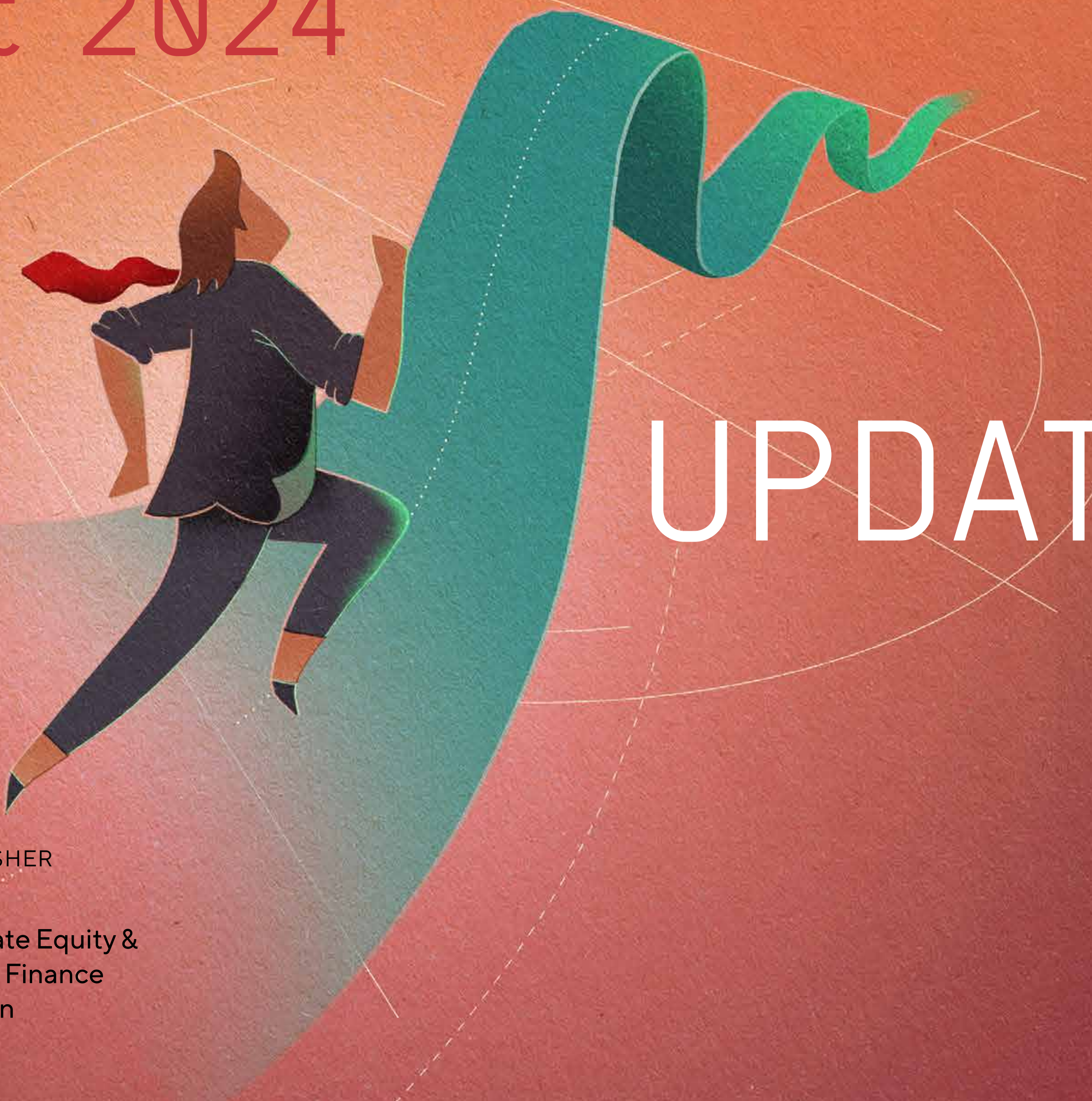
Swiss Venture Capital
Report 2024



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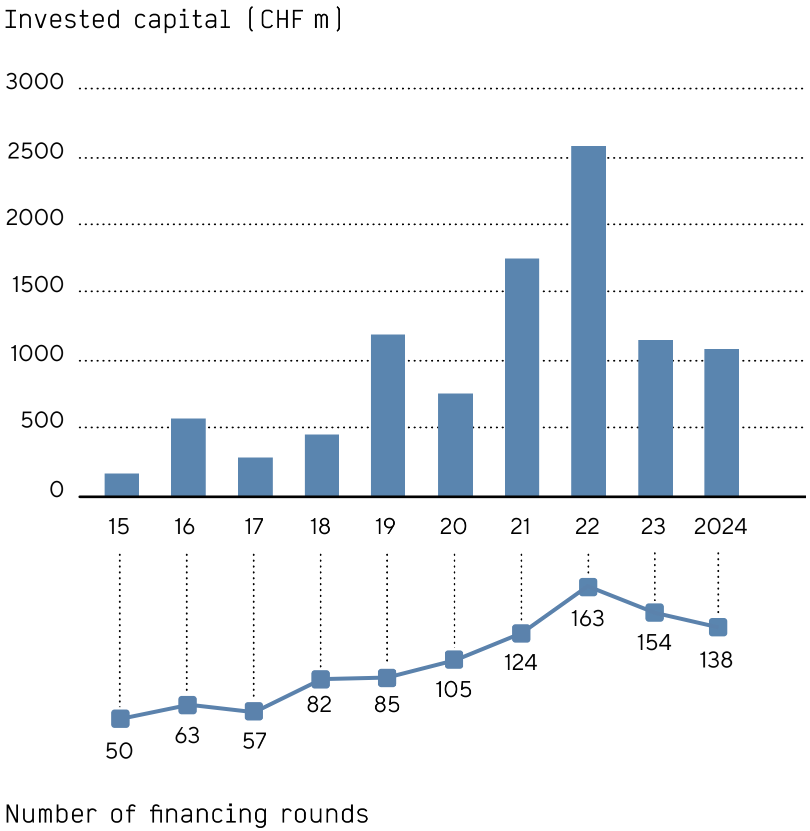
Summary

At first glance, the investment figures in the first half of 2024 are roughly similar to those of the previous year. Approximately CHF 1.1 billion was raised in 138 financing rounds, a decline of about 10% in both figures compared with 2023. However, in terms of phases and sectors there are more significant differences. Among the sectors, biotech in particular performed well, while ICT start-ups attracted only as much capital as in 2018. The ICT boom of 2019 onwards is therefore definitely over. The number of later stage financings fell drastically, while early stage financings increased by 57% in terms of total capital invested. The weakness in later stage financing is probably also due to the lack of exits: numbering only 20, they remained at the low level of the previous year.

Our survey of about 100 investors provides an outlook for the coming 12 months. The results show that investors have 'dry powder'; i.e. funds available for investment. The vast majority expect the number of investment opportunities and the number of investments to increase over the next 12 months. On the whole, investors are more optimistic than a year ago – with one exception: they continue to see the fundraising environment for themselves as difficult.

Investments

Investment in Swiss start-ups
in first half of year



In the first six months of 2024, Swiss start-ups generated a total of CHF 1,082.4 million in 138 financing rounds. Both figures are about 10% below those of the same period in 2023. The downward trend thus continues. However, the decline in invested capital is significantly less pronounced than in the previous year; the total amount invested remains at the pre-coronavirus level.

The number of financing rounds, which was fairly stable until 2023, has fallen more sharply this year. The selection process among start-ups has thus become more stringent: as the crisis progresses, investors are apparently less willing to grant interim financing to start-ups with less than convincing performance. Nevertheless, significantly more investments were still made overall than in the pre-coronavirus years of 2018 and 2019.

The renewed decline in capital is due primarily to the lack of large rounds. Only CHF 218 million was invested in the top three rounds in the first half of 2024 compared with CHF 331 million in the first half of 2023. This difference of CHF 113 million corresponds almost exactly to the difference in total invested capital – CHF 121 million. This means that the majority of rounds outside the top three can be said to have stabilised.

The Top 10

Investment in the life sciences and healthcare sector is very high this year: six of the 10 largest financing rounds are for life sciences start-ups working on clinical solutions.

80 CHF m

Bright Peak Therapeutics

The biotech company, which has a portfolio of multifunctional immunotherapies to treat cancer and other diseases, raised CHF 80 million in its series C round. The funds will be used to advance its first drug candidate to a Phase 1/2a clinical trial and accelerate a pipeline of next-generation immunotherapies.

LINK

76.5 CHF m

iOnctura

Biopharma start-up iOnctura is developing a portfolio of precision oral small molecules that target neglected and hard-to-treat cancers. The CHF 76.5 million raised will be used to accelerate development of its candidate for the treatment of uveal melanoma (UM), a rare cancer of the eye with few available treatments.

LINK

61.6 CHF m

Neustark

One of the largest growth equity investment rounds in carbon removal – CHF 61.6 million – was closed by climatetech Neustark. It has developed a technology to remove carbon dioxide from the atmosphere by capturing CO_2 at source, then binding it in mineral waste streams via an accelerated mineralisation process.

LINK

57.1 CHF m

Neurosterix

Addex Therapeutics, listed on the Swiss stock exchange, handed over preclinical drug projects and a technology platform to the newly founded Neurosterix; candidates that were already in clinical testing remained with Addex. The spin-off, led by CEO Tim Dyer, was provided with start-up capital by an international consortium.

LINK

56 CHF m

Timeline

Biotech start-up Timeline, formerly known as Amazentis, develops innovative solutions for healthy ageing and longevity. It raised CHF 56 million in an oversubscribed series D financing round with participation from two global industry leaders – L'Oréal and Nestlé.

LINK

The Top 10

52.7 CHFm

SkyCell

Every month more than CHF 2.2 billion of pharmaceutical goods are shipped around the world by SkyCell's containers. Tybourne Capital Management and CC Industries were attracted by the numbers and have invested CHF 52.7 million, in addition to an earlier CHF 51 million equity investment by Catalyst.

LINK

49.3 CHFm

Argá Medtech

Swiss-US start-up Argá Medtech, which is developing a next-generation cardiac ablation system for treating cardiac arrhythmias, including atrial fibrillation, has secured the required funding to conduct US and EU clinical studies.

LINK

36 CHFm

Bcomp

Bcomp's natural fibre composites are used by car manufacturers including Volvo and Polestar. The CHF 36 million series C financing round will help scale its production capacity to expand in the automotive sector, tap into additional verticals and support entry into new markets in Asia and North America.

LINK

34.5 CHFm

Sygnum Bank

Following the financing round in January, in which Sygnum was valued at almost CHF 800 million, the asset banking group has continued to grow. Now more than 20 banks and international financial institutions have joined its B2B platform.

LINK

27.5 CHFm

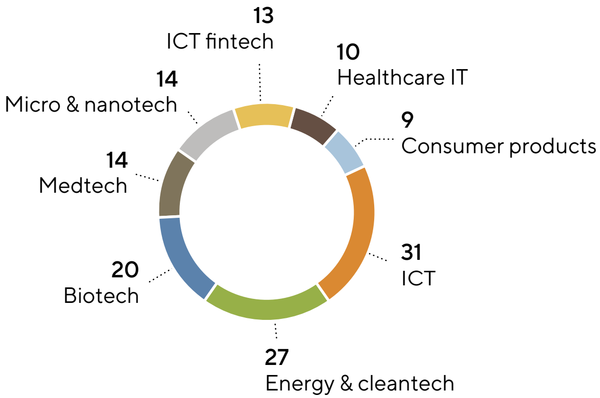
SixPeaks

SixPeaks was founded in 2022 at Versant's Ridgeline Discovery Engine in Basel with the goal of developing therapies for healthy weight loss. It has completed a series A round this year and AstraZeneca is also providing additional, non-dilutive financing of up to USD 80 million over the next two years.

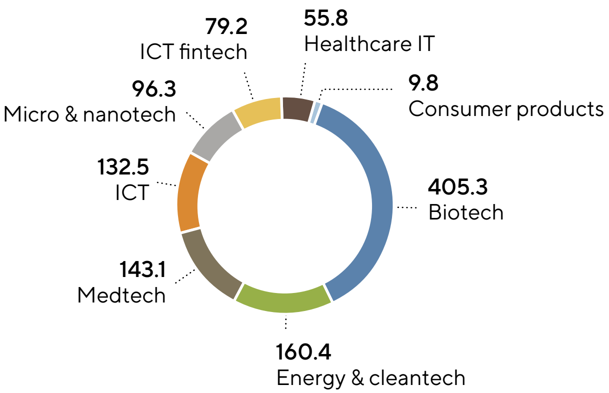
LINK

Sectors

Rounds by sector



Amount by sector (CHF m)



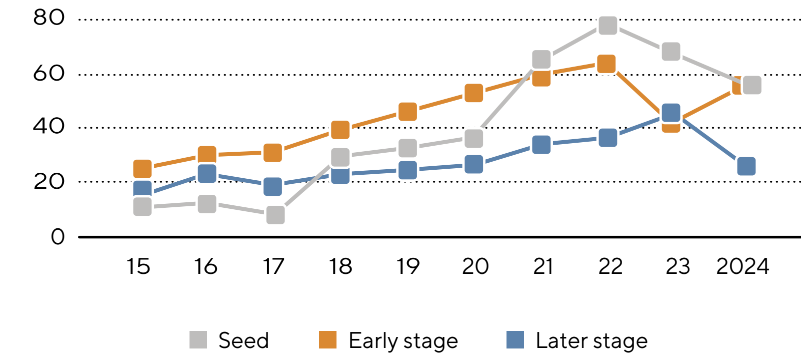
A clear three-way split can be seen in the capital invested in the various sectors. Once again, significantly less was invested in ICT and fintech start-ups, with the total falling by more than 40%. Most other sectors also recorded significant declines in invested capital; however, these were less drastic than in the ICT sector. The cleantech sector remained practically stable, but it is the biotech sector that stands out: here, invested capital increased by 44%.

The number of financing rounds in the ICT sector, including fintech, also fell sharply: 77 investments were made in the first half of 2023 compared with only 44 in 2024 – a decrease of more than 40%. Most other sectors saw stable to positive development: the sharp increase in the number of cleantech investments from 19 to 27 is particularly striking.

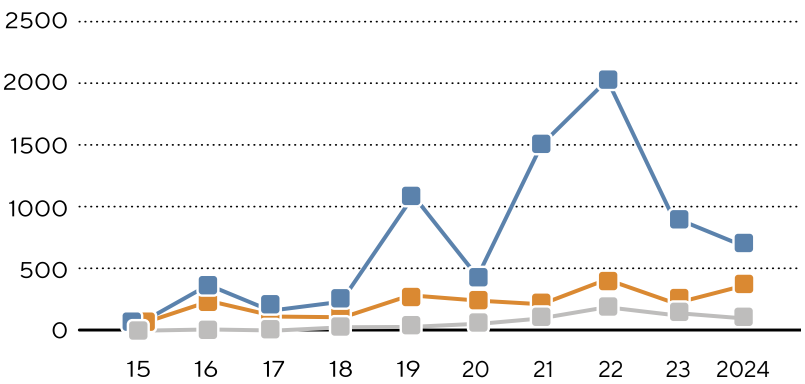
The strong increase in ICT investments in recent years has meant that since 2018 more money has gone to this sector than to the traditionally strong biotech sector. This trend has now been reversed. The ICT sector has fallen behind the biotech sector in terms of invested capital. The current strength of life sciences start-ups and the weakness of ICT companies is also evident in comparison with the medtech sector. In the first half of 2024, more venture capital went to medtech start-ups than to ICT companies.

Phases

Rounds by phase



Amount by phase (CHF m)



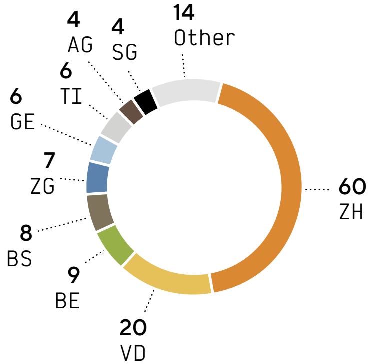
The situation in terms of phases has changed significantly compared with the first half of 2023. The number of later stage investments increased in 2023 compared with 2022, but in 2024 there has been a clear slump to just 26 rounds from 45 in 2023. The amount of capital invested in later stage start-ups has also continued to decline, albeit at a much slower rate. Presumably, many older start-ups were still able to conduct smaller bridging rounds in 2023. In 2024, investors are apparently no longer willing to do so. They have financed fewer late stage companies, but with higher amounts on average.

On the other hand, early stage investments have performed surprisingly well in the first half of 2024. At CHF 344 million, the total amount invested is about 60% higher than in the previous year. The number of financing rounds has risen to 56 from 43 in 2023. Investors also appear to have become more selective in this phase: promising start-ups from attractive areas such as digital health, AI and sustainability have been able to attract large amounts despite the poor environment.

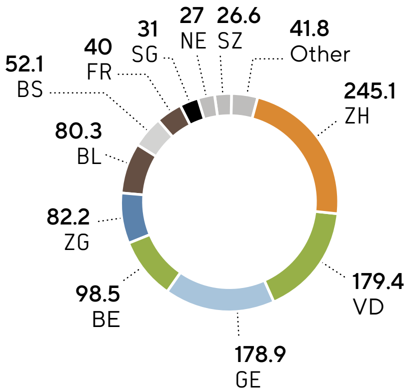
In seed rounds, however, the decline in invested capital and the number of rounds has continued. Investors are likely to shy away from the particularly high risk and potential founders may be waiting to launch their start-up in an improved environment.

Cantons

Rounds by canton



Amount by canton (CHF m)



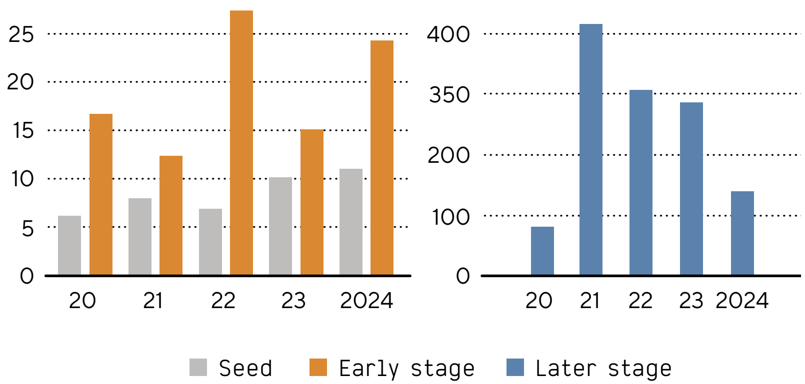
In recent years, cantons Zurich and Vaud have together received about 70% of the total amount invested. The picture is completely different in the first half of 2024: the two cantons together account for only 39% of the total. Capital is now more widely distributed across different cantons than ever before. The figures for cantons Bern and Geneva are particularly positive: Bern has set a new record with just under CHF 100 million and Geneva has achieved its second best result ever. Both cantons have benefited from investment in more stable performing sectors: cleantech and medtech in Bern and mainly biotech in Geneva. In canton Zurich, on the other hand, the high proportion of ICT start-ups has once again had a negative effect.

The good results for these cantons, which to date have attracted relatively little venture capital, show that they now have ecosystems that are able to produce promising start-ups.

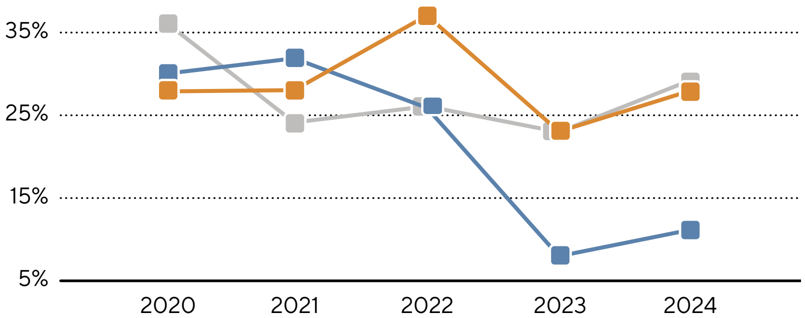
In terms of the number of financing rounds, the ratios are more in line with the usual picture. Cantons Zurich and Vaud together account for almost 60% of all financing rounds. Practically all cantons recorded a decline in the number of investments in the first half of 2024, but nevertheless financing rounds were concluded in a total of 17 cantons. The cantons outside the centres retain their importance as smaller start-up locations despite the crisis.

Valuations

Average valuation by phase of investment (CHF m)



Share of invested capital on valuation by phase



Valuation based on publicly available data from cantons Zurich and Basel-Stadt.

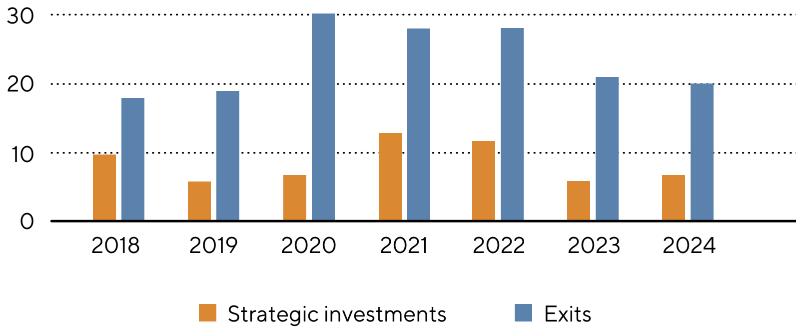
The development of valuations in the seed and early stage phases suggests that the current situation is defined primarily by a stronger selection of investments. Those start-ups from these phases that have been able to attract investors are still highly valued historically. The average valuation for seed rounds is CHF 11 million, significantly higher than the CHF 6.9 million in the boom year of 2022. For early stage financing, the valuation is a good CHF 24 million and thus only slightly below the CHF 27 million at which start-ups were valued in 2022.

The situation is different for later stage rounds, with the average valuation a low CHF 138 million. The small number of exits is likely to have an impact here. As only a few later stage start-ups are apparently in the growth phase, investors can assume that they will have to co-finance their start-ups for a longer period of time.

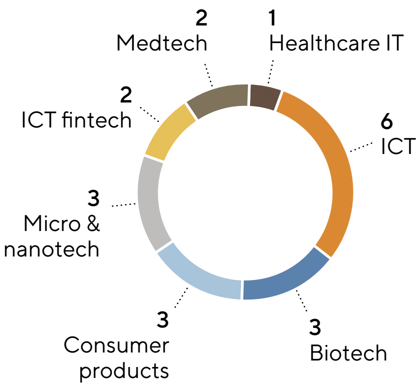
Many of the later stage rounds are thus more likely to be a form of bridge financing, as is evident from the ratio of invested capital to valuation. This shows the share of a company taken on by investors in a financing round and is typically between 20% and 30%. But for later stage investments, this share was only 11% in the first half of 2024.

Exits and strategic investments

Transaction type



Exits by sector

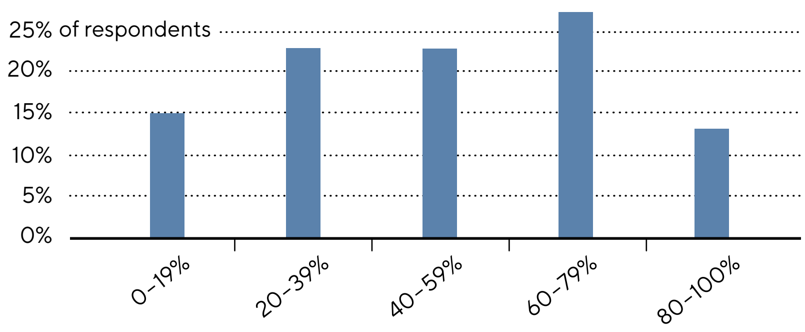


The number of exits remains at a low level. In addition, some exits in the first half of 2024 have been used primarily to rescue projects and so do not provide any impetus for the revitalisation of the venture capital market. The low number of strategic investments also shows that an increase in exits cannot be expected in the short term. Only those transactions in which a single, older company acquires an interest in a start-up and works together with it are recognised as strategic investments in *Swiss Venture Capital Report*. These transactions usually have the character of a partial exit and precede the actual acquisition. The lack of strategic investments in the first half of 2024 is proof that companies are apparently not making large-scale use of of the lower valuations to buy up innovative young companies.

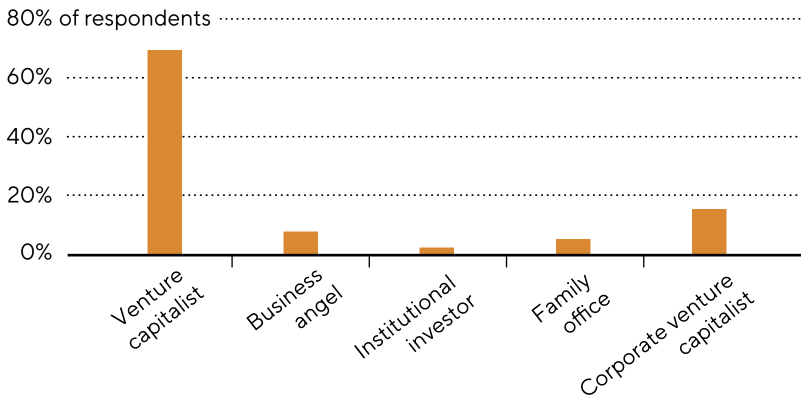
The low number of exits affects all sectors, even those such as biotech, where investment has recovered – and the cleantech sector saw no exits at all in the first half of 2024.

Survey introduction

Available uninvested money ('dry powder')



Investor type

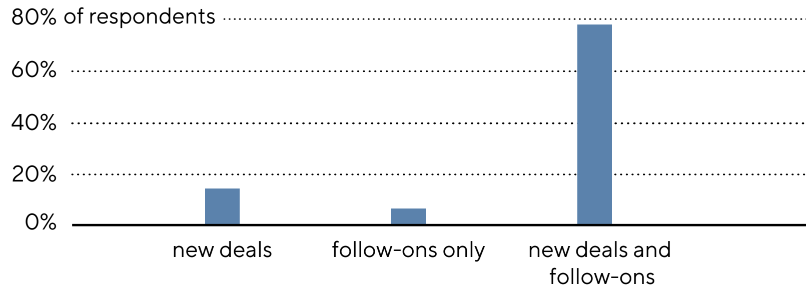


For the fourth consecutive time, the investor association SECA conducted a survey of Swiss start-up investors at the mid point of the year. The survey was sent to more than 300 investors, with 98 participating. Of these participants, 84% are directly active in the investment business as VCs or corporate VCs. More than three quarters invest in the seed and early stage phases, 36% are involved in only one phase rather than different development cycles, and the majority of investors are active locally in Switzerland.

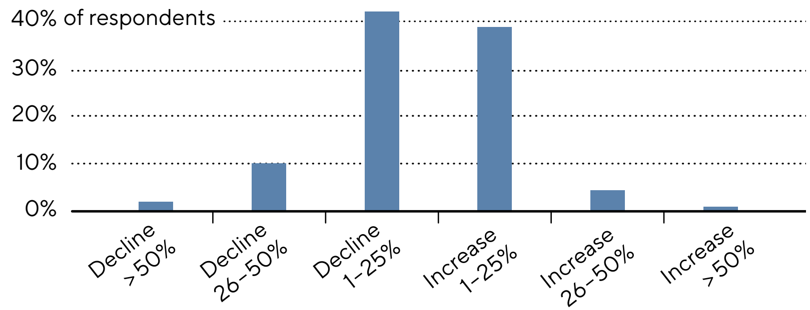
Approximately 44% of all respondents currently invest money from funds launched before 2022; fundraising may become an issue for these VCs in the next one to two years. The majority of funds are younger and in the last two years in particular a record number of new investment vehicles have been offered. Of the 52 funds that were open to investors at the end of 2023, about half had already reached first closing, meaning that investment activities had commenced. This is probably due to the fact that there is still uninvested money available to VCs for the coming investment period of two to four years: on average, 50% of VCs have an average of 60% of freely available funds or funds to be invested ('dry powder').

Investments

Type of investments over previous 12 months



Expected development of entry prices over next 12 months



All respondents have invested in the last 12 months despite the uncertain environment: 79% have allocated their money to new and existing deals and only 7% have made exclusively follow-on investments. Thus, the available funds are not reserved solely for existing portfolio companies.

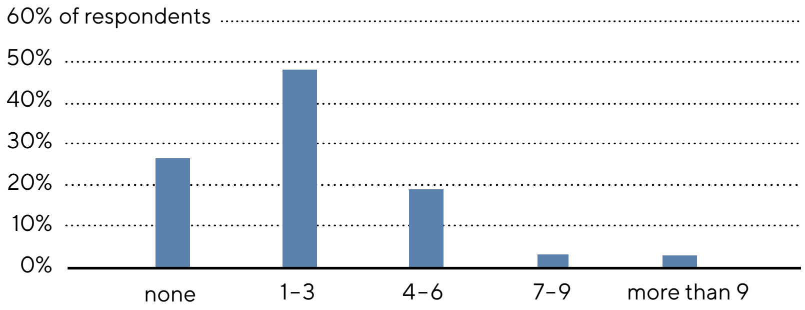
Only 20% and 30% respectively find the number of investment opportunities and new investments currently unsatisfactory; the vast majority expect the numbers to improve over the next 12 months.

Of those surveyed, 73% consider entry prices to be good and 45% believe that the time is right to invest and expect prices to rise within a year; however, 55% expect entry prices to continue to fall.

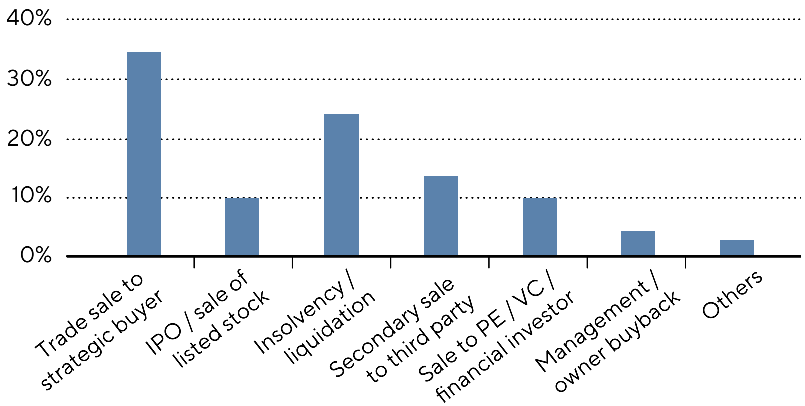
In principle, an increase in investments can therefore be assumed, although some investors will continue to adopt a wait-and-see attitude. Respondents are more sceptical about fundraising than about investment, with 58% of investors considering the fundraising environment to be difficult or not very positive. Among those currently actively looking for money, as many as 70% mention challenges. However, this appears to be a snapshot, as 60% of respondents expect the situation to improve over the next 12 months.

Exits

Number of successful exits over previous three years



Form of exits over previous three years



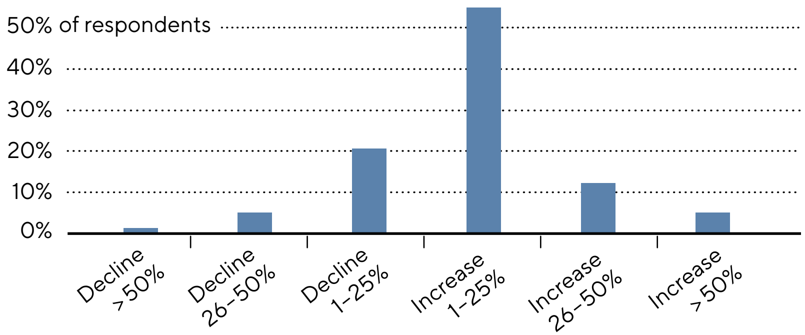
The uncertainty on the global markets has also led to a deterioration in the exit environment. Thanks to their strong technological character and B2B focus, domestic start-ups remain interesting acquisition targets. A total of 48% of respondents have had one to three successful sales from their portfolio in the last three years, and about a fifth have had four to six. A few very successful VCs have had seven or more exits since 2021, but 27% have not been able to realise an exit at all. This high percentage is probably due to the fact that Swiss VC funds are still predominantly in the investment phase.

By far the most exits in the last 36 months were achieved through the sale of a stake to a strategic buyer, with 35% of all sales completed in this way. Only 10% were attributable to an IPO, about 14% took place via a secondary market transaction, and a further 10% were a resale to another private market investor. The continued somewhat one-sided focus on the trade sale as an exit strategy remains a challenge in this country. A second or even third valid sales option would lead to a revitalisation of the market.

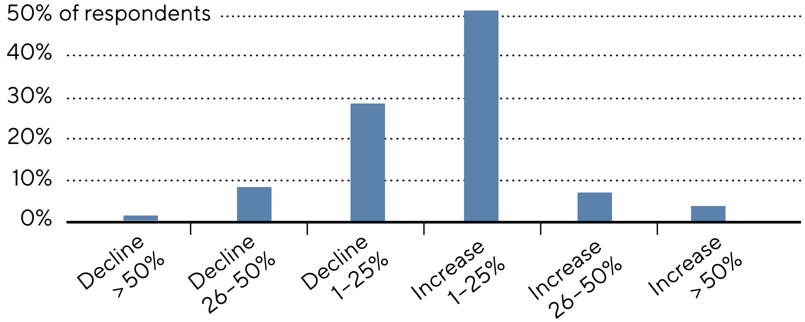
The challenging environment has led to an increase in capital efficiency and bootstrapping programmes. The number of liquidations due to insolvency has also increased and accounts for about a quarter of exits over the last three years.

Outlook

Impact on exit opportunities over next 12 months



Valuation expectations over next 12 months



Respondents believe that the exit opportunities for start-ups from their portfolio are better than a year ago. Only 27% envisage a deterioration in the environment over the next 12 months, compared with 50% and even 60% in the previous two years, and 56% expect to see an improvement on the number of exit opportunities of up to a quarter on this year.

Although when asked about the development of entry prices over the coming months a slight majority (55%) expect prices to continue to fall, they are more optimistic about the valuation expectations in their own portfolios: 62% see higher portfolio values over the year and 38% lower values. In the half-year survey in 2023 and 2022, 61% and 44% respectively were pessimistic. Some valuation adjustments are likely to have already been made, as the correction and consolidation in the venture capital markets has been underway for two years.

Methodology

The analysis takes into account only Swiss start-ups – that is, those companies that have their legal headquarters in this country. In addition, a senior person with decision-making authority must be based in Switzerland. Exceptions may be made if the decision makers are not active in the country of the legal headquarters outside Switzerland, but instead the top managers and board members are based in Switzerland.

The report focuses exclusively on venture capital investments of at least CHF 100,000. Pre-seed equity deals with accelerator programmes are excluded. Buy-out financing and private equity investment in established companies are also excluded.

The valuations are based on data that is publicly available from commercial register offices. Due to the time-consuming manual research involved, only data from cantons Zurich and Basel-Stadt has been evaluated.

If a single corporate invests in a start-up with which it collaborates, we include such financing rounds as strategic investments in a separate list.

For the comparisons between the first half of 2024 and other half years, we considered only those financing rounds announced by the start-up in the respective time period.

The methodology for exits has been adjusted slightly. We now take into account only acquisitions where the start-up in question has carried out at least one capital increase according to the commercial register.

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