Swiss Venture Capital Report 2023

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Summary

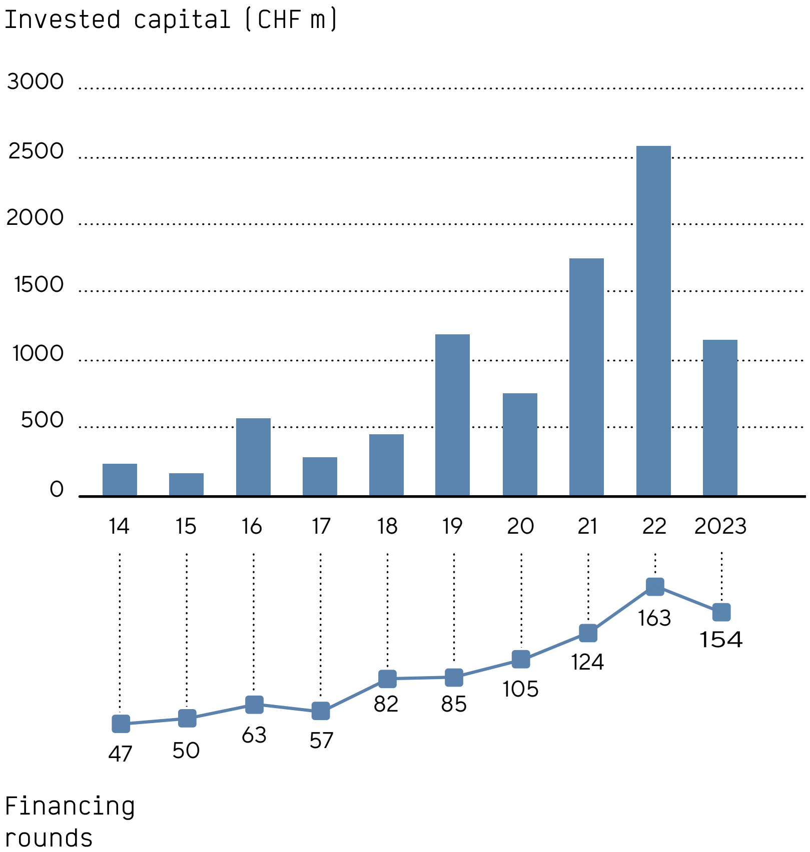
In the first half of 2023, Swiss venture capital financing was no longer able to escape the global downward trend. Almost CHF 1.2 billion was invested, a drop of 54% compared with the same period in 2022. The number of completed financing rounds fell significantly less, from 163 to 154.

The ICT sector is primarily responsible for the decline. Start-ups from the ICT, fintech and healthcare IT sectors attracted only CHF 373 million in 2023, a decrease of more than 73% compared with the first six months of 2022. In the investment phases, both the later stage and early stage saw the total sum invested drop by more than 50%.

Our survey of about 100 Swiss investors provides an outlook for the next 12 months. A third will make fewer new investments and focus more on follow-up financing. Start-ups that want to receive investments will have to prove that they can efficiently achieve business milestones with the capital invested, and they will have to accept compromises in the company valuation. Almost half of investors expect investment to continue to decline slightly; however, a good third anticipate a recovery.

Investments

Investments in Swiss start-ups
in first half of year



In the first six months of 2023, Swiss start-ups generated CHF 1,195.5 million in 154 financing rounds. Although this invested capital decreased by 54% compared with the previous year, the number of financing rounds fell by only 5% to 154.

However, the stability of in terms of financing rounds should not be overestimated. The relatively stable number is probably due not least to the fact that start-ups closed rounds after the first commitments from investors in order to rule out the risk that they might pull out. For example, instead of a series A round, this resulted in a seed plus round, a pre-series A round and the first closing of a series A round. This led to a stable number of rounds overall, but fewer than last year. Accordingly, the median across all financing rounds fell from CHF 3 million to CHF 2.48 million.

In addition to this broad-based decline, top investments were also significantly smaller. In the first six months of 2022, CHF 1.133 billion francs went to the three largest rounds – similar to the amount invested in all financing rounds in 2023. In comparison, only CHF 331 million went to the three largest rounds in 2023.

The Top 10

Although ICT investment has fallen sharply, the situation in life sciences is more stable.
This is reflected in the largest rounds where the top three investments are from the healthcare sector.

134 CHF m

Distalmotion

The company, led by serial entrepreneur Michael Friedrich, has developed a modern and flexible surgical robot that is already in widespread use in Europe. The funds from the CHF 134 million round will be used to accelerate growth in Europe and drive approval in the US.

LINK

103 CHF m

Noema Pharma

Noema Pharma's drug candidates are currently being clinically tested in six diseases, which have in common that they are caused by disorders of the central nervous system (CNS) characterised by imbalanced neuronal networks.

LINK

94 CHF m

Alentis Therapeutics

Alentis' antibodies are aimed at a previously unexplored target with a unique mechanism of action in the pathology of tumours and fibrosis in chronic diseases. Initial clinical trials for fibrosis drugs are already underway. After the US regulatory authority FDA gave the green light in June, tests are now starting in the field of oncology.

LINK

76 CHF m

GetYourGuide

Having performed well during the Covid crisis, the tourism company is now mastering the challenges of the deteriorating investment climate. In this year's financing round, it increased its valuation and secured a revolving credit facility of CHF 99 million in addition to equity.

LINK

60 CHF m

Taurus

Taurus provides enterprise-grade solutions to the issue, custody and trade of digital assets, and has established itself as the number one digital asset infrastructure provider for Tier 1 banks in Europe. The money for the financing round came from major financial institutions.

LINK

The Top 10

49 CHF m

Wefox

In the first quarter, the insurtech delivered what investors want to see. Not only was the financial performance at record levels, the numbers also showed that Wefox is on the way to profitability. This enabled the company to secure a credit facility of the same amount in addition to the equity investment.

LINK

46 CHF m

Ecorobotix

ARA is the name of the innovative sprayer from Ecorobotix that farmers use to control weeds. Thanks to AI, crop protection products are sprayed only where weeds are actually growing, which reduces the cost of expensive pesticides, increases crop yields and protects the environment. The success that the start-up has achieved in the market as a result has also convinced investors.

LINK

44 CHF m

ANYbotics

International market leaders such as PETRONAS, Shell, Siemens Energy and BASF already use the legged robot from ANYbotics. The funds from the financing round will be used to scale international deployments, boost the development of new capabilities and solidify the company's competitive position in robotic inspection solutions.

LINK

44 CHF m

NewBiologix

Gene and cell therapies are still very expensive, but NewBiologix's platform is set to change this. For founders Igor Fisch and Nicolas Mermod, this is the second biotech company: in 2001, they co-founded Selexis and sold the company to JSR Life Sciences in 2017.

LINK

40 CHF m

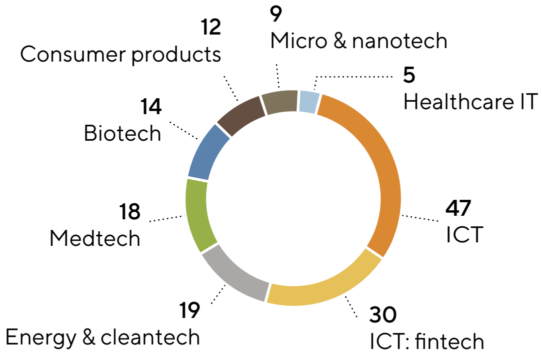
Lunaphore

Lunaphore made a market breakthrough with its tissue analysis platform in 2022 and the first closing of a Series D financing round followed in March 2023. A second closing did not take place. Instead, Lunaphore joined Bio-Techne. After the sale, Lunaphore will be integrated into Bio-Techne.

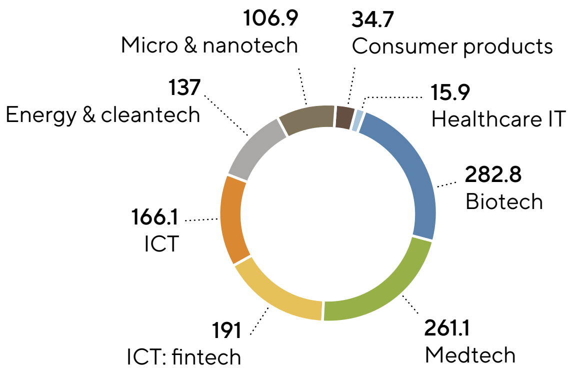
LINK

Sectors

Number of rounds by sector



Amount by sector (CHF m)



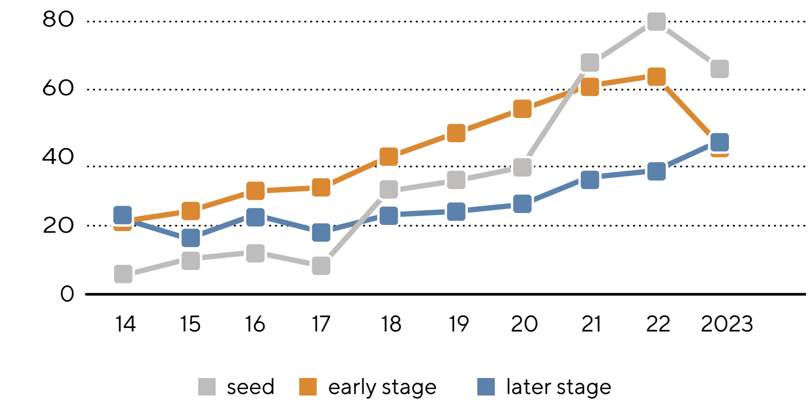
The ICT sector is responsible for the sharp decline in the total amount invested in Swiss start-ups. In all three sectors on which we focus (ICT, fintech and healthcare IT), the numbers have fallen significantly. Start-ups in these three sectors attracted a total of almost CHF 1.4 billion in the first half of 2022, but only CHF 373 million in the same period in 2023 – a decrease of more than 73%. Thus, start-ups received only about a quarter of the funds that they generated in 2022.

Development in the biotech sector was more stable. Biotech start-ups increased the amount invested slightly compared with the same period in the previous year (+3.5%), but are still far from the record levels of 2019 and 2021, in which they generated well over CHF 400 million in both years.

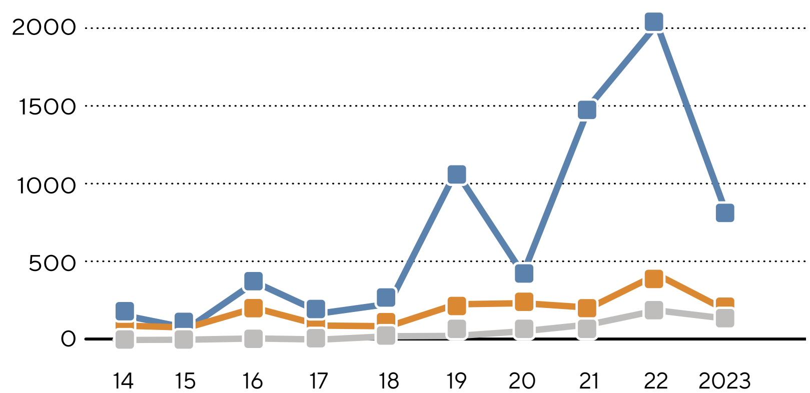
Developments in the cleantech and medtech sectors are characterised by individual big investments. Thanks to Distalmotion's large financing round, investment in the medtech sector reached an all-time high. In contrast, significantly less money went into the cleantech sector than in the first half of 2022, when Climeworks closed a very large round.

Phases

Number of rounds by phase



Amount by phase (CHF m)



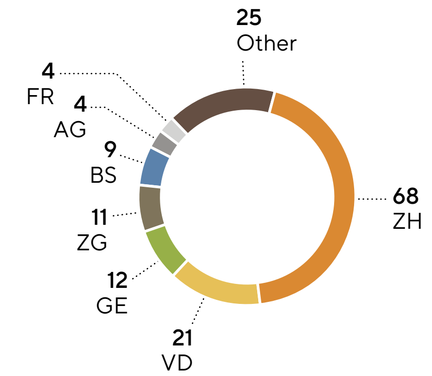
Analysis of investment by phase provides some surprising results. What is particularly astonishing is that the number of late-stage rounds (series B or later) has increased compared with the first six months of 2022. This suggests that advanced Swiss start-ups can deliver what investors today demand – clear proof that they can break even with the invested capital. On the other hand, the decline in invested capital during this phase is not surprising: companies received almost 60% less funding than in the same period of the previous year.

However, the decline in invested capital in the early stage rounds is also very obvious. Here, too, more than 50% less was invested and the number of financing rounds fell by about a third. This indicates a return to an old pattern, at least temporarily. Traditionally, investment in Swiss start-ups was weak in this phase. This challenge had diminished, but now seems to have reappeared.

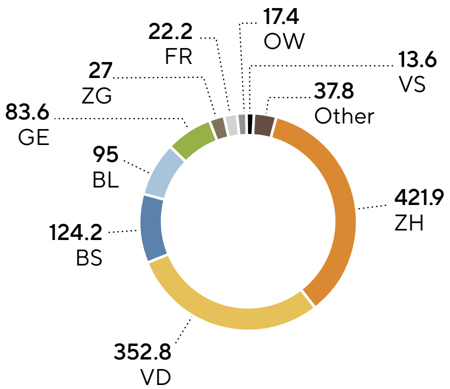
A decline in both the number of investments and the invested capital can also be observed in seed rounds. The assumption that seed investment is not affected by the current difficult situation is therefore proved wrong.

Cantons

Number of rounds by canton



Amount by canton (CHF m)



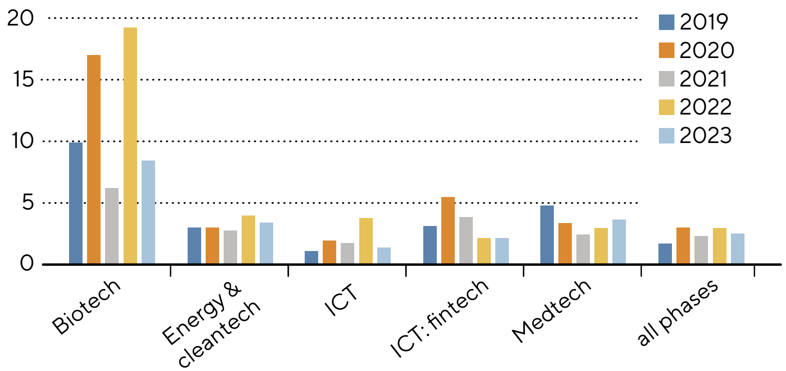
The cantonal figures differ significantly. Both Zurich and Zug saw a marked decline in invested capital. In Zurich, the total was 69.9% below the previous year's value; in Zug, it was as much as 81.4%. As a result, Zug has dropped from third place in the cantonal rankings, which has been the norm in recent years, to sixth place.

Canton Vaud, in contrast, has been surprisingly stable in comparison over the past few years: CHF 374.4 million was invested in the first six months of 2021, CHF 361.7 million in 2022 and CHF 352.8 million in 2023. The situation in Basel-Stadt also developed relatively well, with the investment volume increasing by 44.9% to CHF 124.2 million. This is the second highest value ever measured; however, the record of 2021 (CHF 196.2 million) is a long way off.

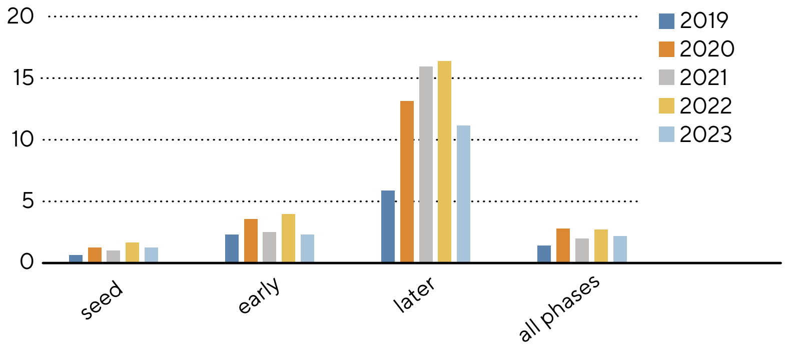
A reason for the differing development is probably the industry focus: more ICT and fintech start-ups are likely to be located in Zurich and Zug, with more biotech companies likely in the two Basel cantons. On the other hand, those cantons that recorded a strong upward swing in invested capital in the first half of 2022 have lost a lot of ground.

Median

Median by sector (CHF m)



Median by phase (CHF m)



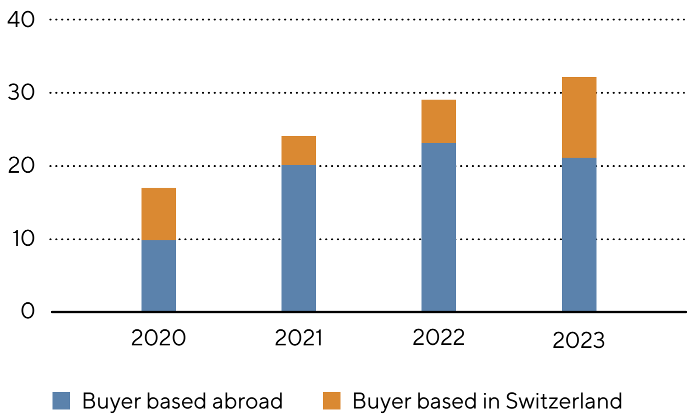
The development of the median shows that there has been a decline in investment in ICT financing rounds across the board. At CHF 1.4 million, the median is more than 63% lower than in the comparison period and also below the values for the pandemic years of 2020 and 2021. The explanation for the decline in invested capital is thus not the absence of individual large rounds, but rather that most rounds in the ICT sector are significantly smaller than last year.

In the biotech sector, the median has also fallen sharply (from CHF 19.3 million to CHF 8.4 million). But the number of financing rounds has increased, which in combination has led to a stable total investment amount. One explanation could be that last year biotech start-ups were playing a waiting game, but now have been forced to go through smaller rounds – with presumably also lower valuations – due to the persistently difficult situation.

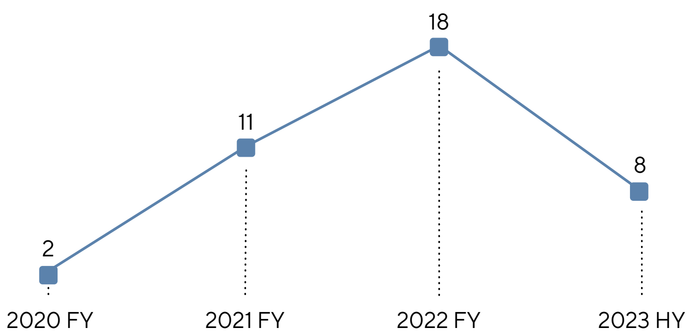
The only relatively slight decline in the median for late-stage investments is also noteworthy. At CHF 11.25 million, it is 31.4% below the previous year's value, while the total amount invested in this phase is 57.7% lower than in the previous year. This indicates that it is mainly mega rounds of more than CHF 150 million that are missing, while late stage rounds across the board are relatively little affected by the poor conditions.

M & A transactions

Number of exits in first half of year



Number of companies acquired by Swiss start-ups

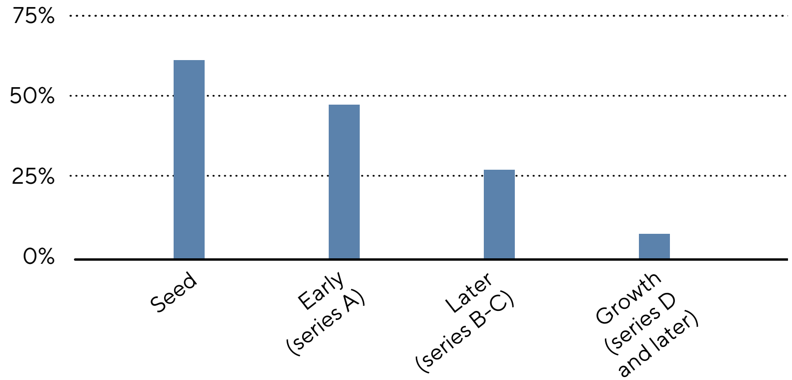


The number of exits is currently not affected by the difficult conditions on the venture capital market. In the first half of 2023, sales to foreign companies were stable, while those to domestic buyers actually increased. The reason may be that founders and investors are more willing to accept reasonable offers, and an acquisition is seen as an answer to the persistent staff shortage.

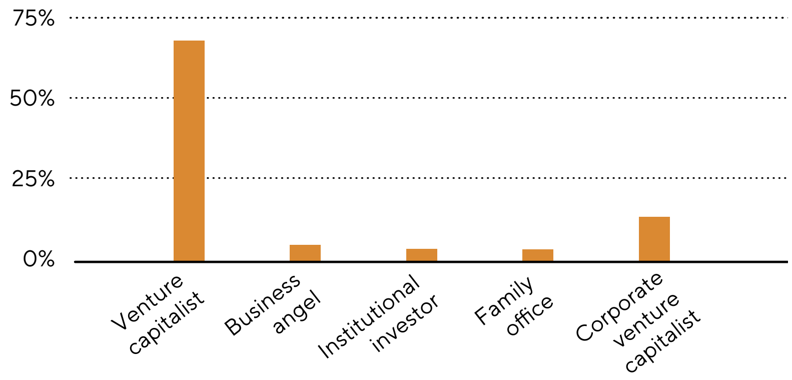
In recent years, Swiss start-ups have also increasingly acquired other companies. This trend has continued in 2023. With eight acquisitions, start-ups have acquired practically half as many companies as in the whole of 2022. They are on course to reach the same level again. Thus, well-funded start-ups are taking advantage of the opportunity offered by the lower valuations and the more difficult refinancing that other companies are encountering. This is an encouraging development, as it allows Swiss start-ups to grow faster.

Survey introduction

Development stage focus



Investor type

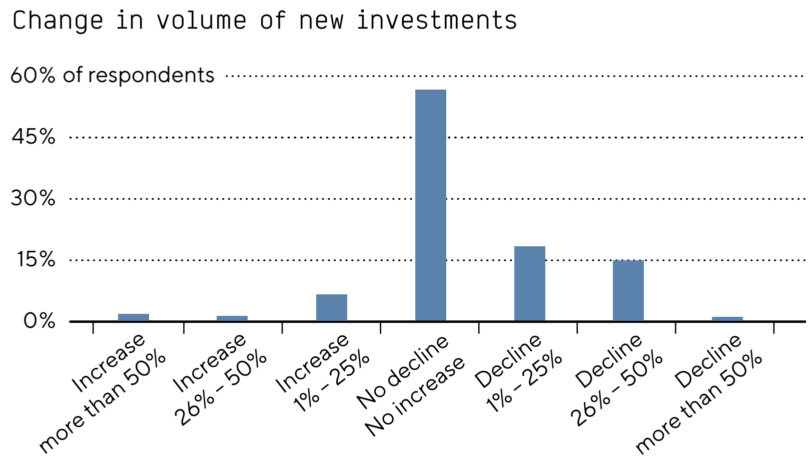


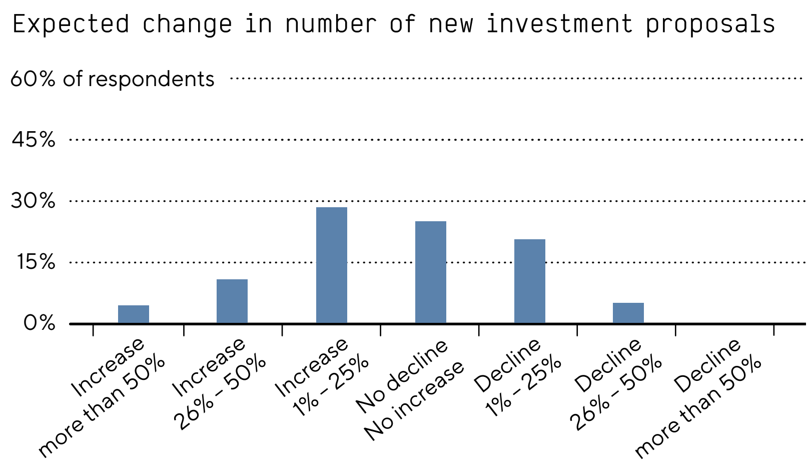
For the third consecutive year, the investor association SECA has conducted a broad-based half-year survey of venture capital investors domiciled in Switzerland. The questionnaire was sent to about 250 Swiss investors, 93 of which took part in the survey: these include 63 classic VCs and 13 corporate VCs belonging to groups. The vast majority invest in early stages (seed and series A). Almost half of those surveyed have a share of more than 50% Swiss start-ups in their portfolio, a percentage that is well above the average for an internationally active VC in Switzerland.

VCs are still busy fundraising. About a fifth of all respondents, and thus the same number as in the previous year, are involved in fundraising: those that are planning fundraising and those actively investing reaches 36% versus 39% in the previous year. Of these, only about 20% assume that the current market situation has no impact on their fundraising, compared with 40% in last year's half-year survey. Almost half of fundraising investors expect a delay of four to six months (compared with 25% last June), but none believes in a delay of more than 12 months.

An overview of 55 VC vehicles in the fundraising phase can be found in *Swiss Venture Capital Report 2023*.

Impact on new investment





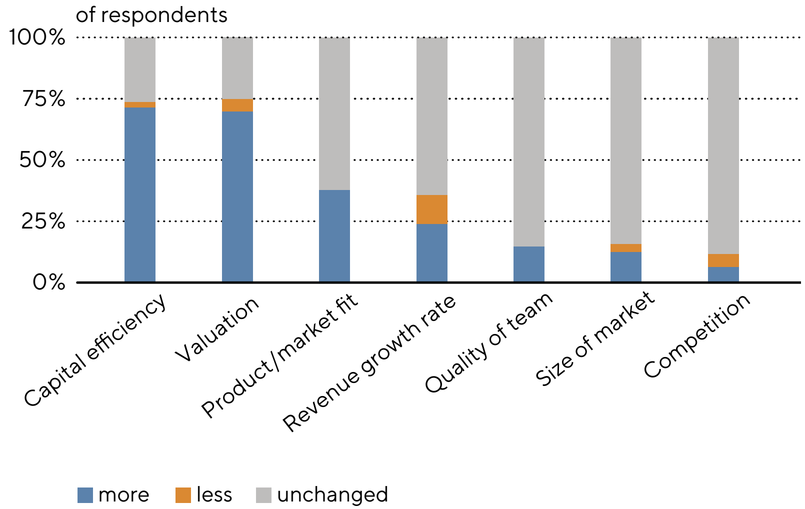
In uncertain times, follow-up financing is often made in existing portfolio companies rather than in new commitments, depending on the available dry powder (cash not yet invested) in the existing fund vehicles.

According to the survey participants, there is likely to be less focus on new investments in the next 12 months than in the previous year. Asked if the developing financial markets will affect investors' future volume of new investments, the mood tends to be more negative compared with a year ago: 36% of investors now expect a negative impact, compared with 16% last year, with 56% of investors believing there will be no impact on their future volume of new investments, compared with 78% last year.

However, investment opportunities are not likely to be the cause: 47% of investors believe that more investment proposals will be presented to them in the next 12 months compared with the last 12 months, considering the current market environment. About one in four believe the number will decline.

Investor adoption

Importance of investor factors



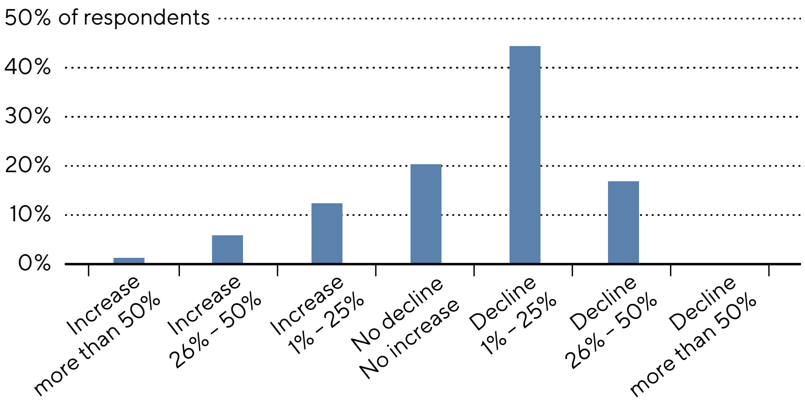
Asked about factors that investors now think more important than 12 months ago, 70% of say they pay more attention to valuation when making a new investment and 72% weigh capital efficiency more heavily today. Start-ups are sought that can achieve as much as possible with the capital provided by investors.

About 40% of investors prioritise product/market fit more and one in four also considers revenue growth rate to be of greater importance. Investors seem to focus more strongly on the financial aspects and the achievement of goals in the immediate rather than the distant future. Start-ups are therefore more likely to concentrate on launching products in a clearly defined area instead of entering the largest possible markets as quickly as possible.

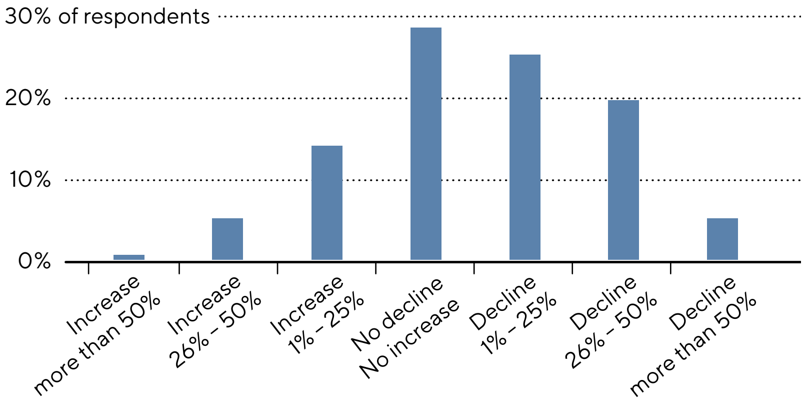
A few investors stated that they pay less attention to any of the above points: 12% say they place less value on revenue growth rate.

Market outlook valuation and exits

Valuation expectations over the next 12 months



Impact on exit opportunities



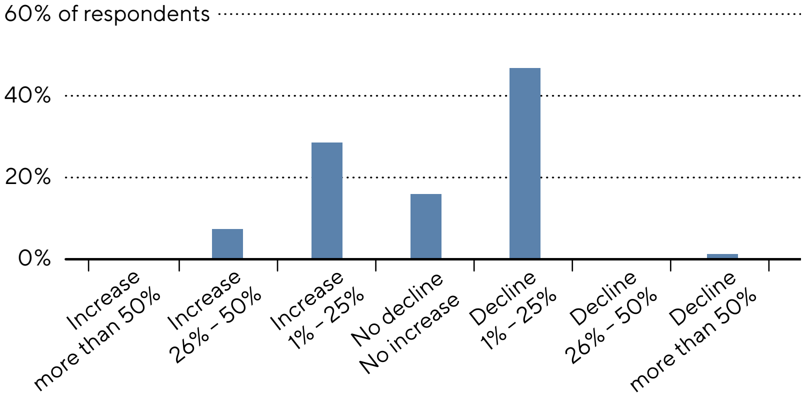
According to the survey, portfolio investment valuations will continue to decline over the next 12 months. In the half-year report in 2022, 44% thought valuations would decline over the following 12 months, compared with 61% in this year's questionnaire.

Respondents see the sharpest decline in financing volume and valuations in later stage (B and C rounds) and growth rounds (series D and later). The downgrading is in line with the results of last year's half-year survey. However, assessment of the negative development in all rounds has stabilised compared with the previous year's assessment, and a further deterioration in the ratings is not expected. Respondents expect the strongest improvement in the environment for seed investments.

So far, the number of company sales has shown itself to be stable; however, this may change, according to the survey. About 50% of investors expect selling opportunities to worsen in the coming 12 months, compared with last year's figure of 60%. In retrospect, they were rather too negative about the activity recorded in Switzerland; 29% think the number of exits will remain the same.

Market outlook investment

Investment in Swiss start-ups over the next 12 months



When asked about the challenges in the coming 12 months, respondents repeatedly mentioned two points: realising exits at attractive valuations and refinancing those start-ups that completed rounds with very high valuations in 2021 and 2022. The more favourable valuations, which offer good entry opportunities for new investors, are seen as an opportunity.

Fewer investors than last year (48% vs. 58%) believe in a decline of the total level of start-up investment in the coming 12 months compared with the previous 12 months. However, only 36% of respondents believe the situation will improve in this period. In conclusion, this paints the rather encouraging picture that perhaps from the point of view of survey respondents the strongest dip – mid-2023 – is already over and the signs are pointing to growth again in the coming months.

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. 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-year 2023 and other half years, we took into account only those financing rounds announced by the start-up in the respective time period. For 2023, we also included non-confidential information about financing rounds from our cooperation partner startup.ch.

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