Financing of young technologies and life science companies in Switzerland is a coordinated activity supported by multiple institutions and funding pools.

From start-up funding through grants to the listing of a company on SIX Swiss Exchange, the fiscal infrastructure in Switzerland provides accessibility to funding opportunities which support and strengthen a company along every step of its life cycle.
Funding and financing

Switzerland is a European entry point for foreign investors and plays an important role in the funding and financing of innovation, notably in high-tech industries such as the medical technology industry. With over 10,000 new founded companies each year, Switzerland’s attractiveness as a place to do business, its strengths as a financial center and its thriving medical technology industry are all consequences of the collaborative activities between industry, academia, and the financial sector.

From the very beginning, a Swiss company’s development is linked to and supported by academic and industrial partners. Many companies in Switzerland emerge from innovative technologies created from academic projects in institutions such as the ETH Zurich and the EPFL in Lausanne and are nurtured into young enterprises through both public and private development and funding programs. Easy access to funding resources, innovative and competitive financial products, and the availability of highly qualified staff all contribute towards lucrative business activities and Switzerland’s strengths as a financial center. The Swiss financial center maintains a global network and progressive capital market which aids the development of both the country as a whole and its medical technology sector. Because Switzerland is closely networked and internationally oriented, it has become an attractive financial center for both domestic and foreign companies seeking capital.

EARLY STAGE FINANCING A company in the pre-marketing phase of any product development is generally looking for seed capital. During this stage the company has a new product or technology with positive market potential though often limited financial resources and business expertise to boost R&D activities and to commercialize the product. Overall, seed money amounts to ~ 30 million Swiss francs per year or less than 0.1% of the Swiss GDP. Switzerland’s financial industry offers several possibilities to get funding during the seed stage such as grants through the Swiss National Science Foundation (SNSF) for basic research, and early stage funding through universities and the two Swiss Federal Institutes of Technology via their specific start-up and entrepreneur consulting departments. These departments maintain strong relationships to a multitude of investors, industry associations, government agencies and state-funded economic development programs such as the CTI Invest Private-Public-Partnership. Swiss companies can also find seed money through the globally growing pool of business angels who provide specific industry know-how, a network of industry contacts, and pure capital financing. Various foundations play a similar role in supporting research projects with outstanding pioneering potential.

BUSINESS-DEVELOPMENT LIFE CYCLE Medical technology companies have varying capital needs based on the timeline to profitability as they progress through various stages of development. As such, the stages of the business development life cycle must be filled with appropriate and adequate forms of capital. Medical technology companies whose early developmental stages are typically longer than those of firms outside the life sciences sector require more equity or risk capital to make it through the critical phases of early business.

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The start-up financing phase funds companies in their initial development stage and marketing efforts. The major players in funding start-ups are venture capital firms specialized in managing risk or providing capital. The Swiss venture capital scene is represented by two leading financing platforms for Swiss high-tech start-ups: the CTI Invest and the SECA chapter “Seed Money & Venture Capital”. These private platforms organize match-making events and coordinate relationships between venture capital firms and companies in the start-up phase. The European Innovation Scoreboard (EIS) indicates that 0.2% of the Swiss GDP is invested in early-stage venture capital which is significantly higher than that of its geographic neighbors: Germany (0.06%), France (0.11%), Italy (0.03%), EU27 (0.12%). Additionally, the Swiss Confederation supports venture capital companies and private investors by reducing their direct federal tax burden, waiving stamp duty and offering assistance in securing cheaper bank loans by granting debt guarantees via assigned cooperatives. In conjunction with this almost every Swiss bank offers at least one financing instrument for start-up companies in the form of loans with no or minimal interest, or various consulting services aimed at corporate finance activities. While recently developed seeding and funding concepts like crowd funding or hybrid models are still in the early stages in Switzerland, a huge funding potential remains unused and will develop in the future.

**LATE STAGE FINANCING** The expansion stage is typically characterized by the extension of the production capacity, further product developments and by an increase of marketing activities to boost sales. Similar to the early stage financing phase, late stage financing is also supported by venture capital investors in addition to smaller private equity funds. Switzerland offers a very dynamic private equity industry with many funds focused on investments in the life sciences and medical technology sectors. Approximately 0.3% of Swiss GDP is invested by the private equity industry.

**EXIT STAGE FINANCING** Financing of the expansion step in the company’s life cycle usually requires investment by a larger and more diversified investor group such as larger institutions and sometimes private investors or a strategic buyer. The purchasing of a company often means a liquidity event for the venture capital and private equity investors. This liquidity event or exit can be an initial public offering or trade sale to a strategic buyer. In this event, the SIX Swiss Exchange offers an attractive listings product and allows for an inclusion in its main benchmark index, irrespective of the company’s place of incorporation and/or asset and revenue base. The life sciences sector on SIX Swiss Exchange accounts for about one-third of the total market capitalization and even as much as 40% of the overall European sector market capitalization. Specialized life sciences sector indices (SXI Life Sciences and SXI Bio and Medtech indices) allow for higher visibility of companies and support a fair valuation of listed companies. The maximum weighting of any given stock in this sector index is limited to 10%, which allows for greater visibility of small and medium-sized companies.
Overall, the Swiss financial center creates an attractive bonus for domestic and foreign companies seeking capital: it is compact, closely networked, the local banks have strong financing and placing power, and it facilitates a unique and fast regulation process when considering a listing. In addition, Switzerland comprises an international investor base with roughly CHF 4 trillion of assets available for investment.

**PERFORMANCE COMPARISON OF INTERNATIONAL LIFE SCIENCES INDICES**
(Total return index on monthly basis, CHF-adjusted)

![Graph showing performance comparison of international life sciences indices](image)

**PRIVATE EQUITY INVESTMENTS IN SWISS COMPANIES**

![Bar chart showing private equity investments in Swiss companies](image)

Ernst&Young (www.ey.com) and SIX Swiss Exchange (www.six-swiss-exchange.com) are the authors of this chapter.