

>>venture foundation>>

Annual report 2015

Contents

- 2 Editorial
- 4 News
- 6 The interview:
Lino Guzzella
- 12 >>venture>>
competition 2015
- 30 Success story:
Covagen
- 36 Advisory Board
- 38 The >>venture
foundation>>

Editorial

Dear Reader,

Welcome to the annual report of the >>venture foundation>>! The year 2015 was a successful and eventful one for Switzerland's premier start-up competition, with a host of new developments. It was our tenth edition, evidence that >>venture>> is one of the Swiss start-up scene's most important partners and supporters. Here are some of the highlights:

___ In 2015 the format of the competition was changed. The two categories, business idea and business plan, are now run simultaneously and the competition takes place every year. The large number of participants shows that the new format works! (Facts and figures on p. 20).

___ In 2015 we celebrated the tenth jubilee of >>venture>>. Since 1998, a total of 2,500 teams participated in the competition and 650 companies have been founded. But in these economically challenging times, one number is particularly pertinent: >>venture>> graduates have created over 6,000 new jobs. ETH President Lino Guzzella sums it up succinctly in his interview (see p. 6): "The business models of existing companies have never had to face more challenges than they do today — We need innovation and more innovation."

___ In 2015 NZZ Libro published a book on ten of the most outstanding >>venture>> graduates (excerpt on p. 30). This allowed us to fill in one of the last remaining gaps in the Swiss start-up scene, namely, the lack of role models. I share Federal Councillor Doris Leuthard's vision for young leaders when, in her foreword, she writes, "Our young entrepreneurs can go on to transform Switzerland into a new land of unlimited possibilities."

___ In 2015 Schweizer Radio und Fernsehen (SRF) entered into a partnership with >>venture>>, reporting in detail on the competition. And while we are wrapping up the last business year, there is plenty

of good news to report about the current competition. In 2016 for the first time, the École polytechnique fédérale de Lausanne (EPFL) is on board as an organizer, and Professor Patrick Aebischer, president of the EPFL, is representing the university on the foundation board. Un grand bienvenu! Furthermore, we were able to increase the prize money and win over an attractive and multifaceted media partner, Tamedia AG, whose media presence is particularly strong in French-speaking Switzerland.

A foundation is supported by the people who directly or indirectly contribute to its goals. Thanks go to all of you who have helped ensure the success of >>venture>>. It is you who make >>venture>> so unique: members of the foundation board, the executive committee, and the advisory board. Coaches, jury members, members of the >>venture>> office team—all of you help ensure the success of >>venture>> and in so doing make sure it remains a unique and significant event.

It is your strong commitment that helps fulfill the dreams of so many talented young entrepreneurs. It is your energetic support that helps transform good ideas into successful businesses. Particularly

in times when digitization poses immense challenges to Switzerland as a location for business and innovation, our vision is more relevant than ever.



Thomas Knecht,
founder of >>venture>>

NEWS



>>VENTURE>> GRADUATES: THE BOOK

To provide aspiring entrepreneurs with role models, the >>venture

foundation>> portrayed ten former >>venture>> teams in the jubilee book *The Success Formula for Start-Ups – >>venture>> Graduates Go to the Top* published by NZZ Libro. In a very positive review, the NZZ writes: “The book is not only suitable for young entrepreneurs. Growth-phase business owners will benefit just as much from reading it.”

EPFL JOINS >>VENTURE>> ORGANIZERS

>>venture>> goes west! Following a long-standing cooperation, the EPFL has officially joined the group of >>venture>> organizers starting with the 2016 edition. President Patrick Aebischer represents the EPFL on the >>venture foundation>> board. This important step will expand the reach of the competition in the Suisse romande and further strengthen its ties to the Swiss Federal Institutes of Technology.

ERNST GÖHNER STIFTUNG SUPPORTS DEVELOPMENT OF ONLINE PLATFORM

Thanks to the generous support of the Ernst Göhner Stiftung, >>venture>> was able to launch its new state-of-the-art online platform just in time for the 2015 jubilee edition. The new platform has taken >>venture>> into the social media age and considerably simplified online interactions within the community.



THE NEW CEO

In August 2015 Lea Firmin took on the newly created part-time role of CEO of the >>venture foundation>>. Having managed the >>venture>> editions 2014 and 2015 as a project leader for McKinsey & Company, she ensures continuation of the foundation's operations and is excited to continue her strategic initiatives.

tamedia: ●

TAMEDIA COMPLEMENTS SRF AS MEDIA PARTNER

Tamedia supports >>venture>> as a media partner starting with the 2016 edition. Chairman Pietro Supino joins the advisory board. With its broad print and online coverage across Switzerland, Tamedia ideally complements the >>venture>> media partner Swiss Radio and Television (SRF). SRF will cover the 2016 edition with a start-up focus week in the run-up to the >>venture>> award ceremony on June 30, 2016.

ADDITIONS TO THE ADVISORY BOARD

>>venture>> would like to extend a warm welcome to the new members of the advisory board! In 2016, Avaloq (Francisco Fernandez), Geberit (Christian Buhl), the Swiss Federal Institute for Intellectual Property (IPI – Alban Fischer), and OrellFüssli (Martin Buyle) will support >>venture>>. The IPI will expand participant support on intellectual property with assisted patent searches and workshops.



The Interview

“A great time for start-ups”

Lino Guzzella, president of ETH Zurich, believes the digital revolution offers tremendous opportunities for Swiss start-ups. He explains how experienced companies can benefit by supporting >>venture>> and why Switzerland needs good start-ups more than ever if it wants to preserve its competitive edge.

Mr. Guzzella, what does >>venture>> mean for Switzerland?

>>venture>> has been running very successfully for nearly two decades. As Switzerland’s most important business plan competition, >>venture>> is a major pillar in the country’s innovation ecosystem.

What makes >>venture>> successful?

The idea came along at the right time, and it anticipated the fact that start-ups would only gain in importance. Part of its success rests on the combination of high-profile complementary partners that the competition brings together: universities, leading Swiss companies, and Switzerland’s Commission for Technology and Innovation, the CTI. Furthermore, >>venture>> has never stood still, but is always evolving. And of course there’s the

fact that the competition is inextricably linked with Thomas Knecht, who has been untiring in his commitment to promote the Swiss start-up scene.

After the first >>venture>> competition in 1998, the number of company foundations —or spin-offs— at ETH shot up rapidly (see table on the next page). Was this pure coincidence?

A variety of factors helped shape the first burst of growth in the number of spin-offs in the mid-1990s. >>venture>> was certainly a key factor behind this increase. Zurich’s Technopark was founded at around the same time, and ETH began to offer its first courses for young entrepreneurs looking to start their own company. Finally, the internet euphoria at the turn of the millennium also boosted people’s

Lino Guzzella

57, has been president of ETH Zurich since 2015, where he has been professor of thermotronics since 1999. From mid-2012 to late 2014 he was rector of ETH Zurich, where he oversaw all aspects of teaching. Guzzella studied mechanical engineering at ETH Zurich, where he also earned his doctorate in 1986. After gaining industrial experience in research and development at Sulzer in Winterthur and Hilti in Schaan (FL), he was appointed assistant professor at ETH Zurich in 1993. Guzzella is a member of the >>venture foundation>> board.

confidence when it came to starting their own company.

The internet bubble burst in 2000.

How did it affect the start-up scene?

For a couple of years the number of start-ups declined. A second wave of start-ups began in 2007 and continues to this day, gaining twenty or more new spin-offs each year. It's worth mentioning that some of our most successful in-house start-ups benefitted enormously from >>venture>>, or in some instances would have never gotten their start had it not been for the competition, companies such as Sensiron, Glycart, and Covagen.

Do you think that twenty to twenty-five spin-offs per year is the maximum?

Or could it even reach forty or fifty?

At present we are eye-to-eye with leading American universities. Of course it's possible to increase numbers, but quantity is

not the only factor. What's important is that the new companies introduce technologies and business models that boost Switzerland's innovation credentials. Equally important is that we maintain our efforts to support young entrepreneurs. We are continuously developing our own promotional tools such as the Pioneer Fellowships, which we introduced in 2010.

How do these work?

They function like fellowships that enable students to develop a prototype based on their masters or doctoral thesis, with the goal of eventually bringing it to the market. Successful applicants receive 150,000 CHF over the course of eighteen months, a job position, coaching, and the necessary infrastructure. We have awarded fifty-seven of these Pioneer Fellowships since 2010.

Of the thirty-eight programs conducted to date, thirty Pioneer fellows have founded a spin-off—that's about seventy-eight percent!

With all of this support, would you say it's a great time for start-ups?

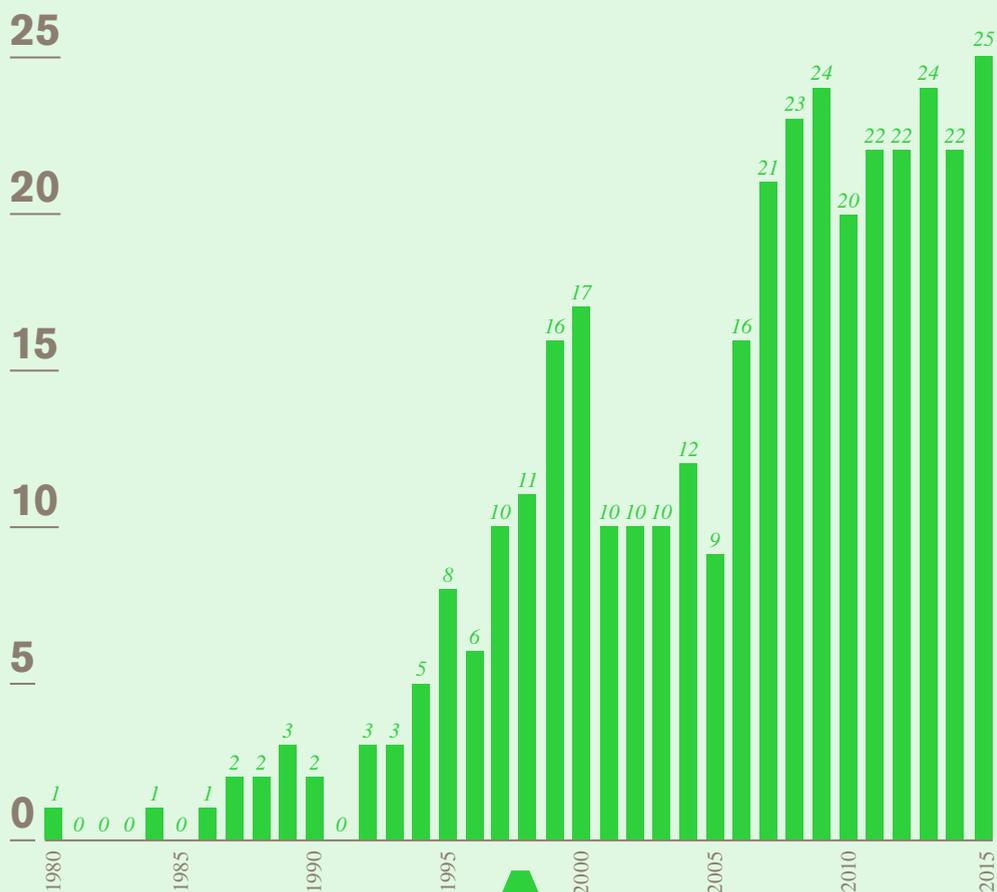
Absolutely, it's a really great time for start-ups. For one thing, a close support network has developed in Switzerland in recent years. Added to this, the economy has opened up to allow for external innovation. But we also desperately need young start-ups to bring fresh blood to the tech scene.

Why?

The business models of existing companies have never had to face more challenges than they do today. The increasing interconnectivity and digitization of our economy—

>>venture>> transforms researchers into entrepreneurs: the number of ETH Zurich spin-offs has increased significantly since the start-up competition was established.

Number of ETH Zurich spin-offs 1980—2015



>>venture>>

the “Internet of Things” and “Industry 4.0” are the buzzwords here—have turned inside out entire branches of industry, forcing us to radically rethink the way we do things. Furthermore, the market environment is difficult, and in many places regulation is on the rise. We have no choice but to develop new ideas and transform them into marketable products. We need innovation and more innovation, in large companies as well as in small and medium-sized businesses. And this is where the young people come in, who are willing to take a chance and seek their own independence with smart business ideas.

You earned your PhD at ETH in 1986. Were students then even aware of the word “start-up”?

Perhaps, but it was a virtually nonexistent career option.

What was the highest goal for students at that time?

They wanted good grades, a good degree, a PhD, and then a career in science or industry. It was a comfortable time, economically-speaking. While I was studying engineering, we were invited to visit the big companies and were introduced to the management. It stood to reason that we would accept an attractive job offer—in those days the idea of founding a company of your own was nowhere nearly as widespread as it is today.

So the social environment has changed radically since then?

Yes. There is a lot more emphasis on individual initiative today, and founding a

start-up is a widely accepted career option. Young people have guts, initiative, and entrepreneurial spirit. And there are Swiss role models, this is fundamental: the more people who are prepared to go down this path, the greater the acceptance and the greater the quality of the resulting start-ups. Quality attracts quality.

Do all ETH students today want to follow in the footsteps of Mark Zuckerberg?

I don’t know if Mark Zuckerberg is the right role model for our students. We have our own Swiss success stories: Sensirion, Glyco Vaxyn, u-blox, and a lot of other very successful companies. >>venture>> has served as an important springboard for many of them.

What’s missing in today’s start-up environment?

We must be less risk averse, and we have to teach this to our young people. If you fail in founding a company, this doesn’t make you a failure. You have to learn from your mistakes and do better next time. And then there is our penchant for perfection, for the “Swiss finish,” which in today’s fast-paced digital society is more of an obstacle to success. We tend to think that something has to be perfect from the get-go. We need more courage when it comes to pilot projects, at the beta phase, for the so-called minimum viable product. The high survival rate of our spin-offs probably reflects this perfectionist mentality too: you found a company only when you are almost certain it will succeed. In the United States, people are prepared to launch projects even

before they are fully defined. This is increasingly important, because speed counts. The first to launch a product on the market, the first to file a patent, the first to show market success is usually the one to make it, and the next in line has to play catch-up.

You taught in the United States.

Is the entrepreneurial spirit there really so much more pronounced?

The constant competitiveness, the winner-takes-all mentality, is much stronger and much more ingrained in a lot of the country. But it's important to remember that in the United States people generally only like talking about the winners. But when I walk through the streets of San Francisco, I see a lot of people who are having a hard time getting by, and then I think to myself that a certain balance, like we have in Switzerland, isn't so bad after all. We shouldn't try to emulate Silicon Valley, we should do things our way.

Is mentality the only difference between Switzerland and Silicon Valley?

Switzerland is a small country, and space is certainly an issue. That's why the innovation park in Dübendorf is such a good idea. ETH offers space in Zurich's Technopark, but only for a limited period of time. This is where the innovation parks come in. We also need more low-threshold offers like the so-called Colabs, which are slowly becoming more widespread. Here entrepreneurs can rent inexpensive workspace and network with like-minded people. High rents for infrastructure and office space can make things difficult

for young companies in Switzerland, especially compared with prices in other places, like Berlin, for example. And then of course there is the problem of financing.

A number of studies have shown that the financing situation is not all that bad in Switzerland.

At the initial financing phase—the seed phase—Switzerland is in pretty good shape, but later, when it comes to more comprehensive financing, things get a bit tougher. Big private investors are slowly coming around, however. I can't disclose any names, but a couple of Silicon Valley heavyweights are showing interest in ETH start-ups. In the meantime we are also starting to appear on the global start-up radar.

>>venture>> is supported by twenty-five companies. Most of them are struggling with adverse conditions such as the strong Swiss franc or a poor market environment. What do they gain from their continued support of the project?

I would recommend these companies continue to support >>venture>>. Glycart was purchased by Roche for CHF 235 million. Roche first got wind of this biotech company via the >>venture>> competition. Companies gain access to a superior network of high-tech companies and gain insight into a lot of promising business ideas in their early phases. There are very few places where you can gain this much valuable business expertise so efficiently. And last but not least, they are doing something good for Switzerland.

INTERVIEW Simon Brunner

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TITION



15

2015 Business plan winners

Place 1–5



1. CUTISS Every year, 11 million people, half of them children, burn large areas of their skin. Unfortunately, these severe wounds still represent a clinical issue that is far from being solved. Deep wounds heal badly and develop into large, permanent, disfiguring scars that need follow-up surgeries and long periods of hospitalization. After years of research, CUTISS has found a solution: individually customized, minimally scarring skin grafts engineered from a small piece of the patient's skin.

The CUTISS team led by Daniela Marino of the University Children's Hospital Zurich convinced the >>venture>> jury and advisory board with their sophisticated technology, which promises to cover a sizable unmet

medical need. At the time the team won the >>venture>> business plan competition in June 2015, CUTISS was already running a phase 1 clinical trial and expecting regulatory approval as an orphan drug in their biggest markets for 2017.

Team leader Daniela Marino not only talks fast, she also progresses at an impressive speed: the phase I trial is now complete with very promising results and a phase II trial is due to start by mid-2016. In December 2015 the European Medicines Agency (EMA) granted CUTISS's technology the orphan drug designation for the treatment of burns; the Swiss and US agencies are expected to follow suit in the course of 2016. The costs for the orphan drug designation applications were covered entirely by the >>venture>> prize money. Daniela Marino is expecting to launch their first products by 2019.

Daniela Marino is looking to complement her team with an experienced CFO and an additional member for the board of directors with strong industrial experience to give direction in terms of regulatory strategy and marketing. Referrals are welcome.

Looking back to her participation in >>venture>>, Daniela Marino says: "I am convinced that >>venture>> helped us to attract interest from potential investors and to grow our network in the industry and in the start-up scene." Would she participate again? "Anytime!"

Industry Pharmaceuticals, biotechnology & life sciences
Place Zurich *Affiliation* University of Zurich
Contact Daniela Marino, daniela.marino@kispi.uzh.ch

2. ZuriMED is an innovative team specialized in orthopedic biomechanics and biomaterials. The team has developed a disruptive technology with the potential to revolutionize the reconstruction of the anterior cruciate ligament of the knee. Knee ligament injuries are among the most common and severe musculoskeletal traumata.

Affiliation **ETH Zurich**

Contact info@zurimed.com

3. Inositec is a drug development project at the preclinical proof-of-concept stage. The team developed a small molecule for the treatment of Clostridium difficile infection, a bacterial infection of the colon that has become the most common healthcare-associated infection.

Affiliation **ETH Zurich**

Contact info@inositec.com

4. Gamaya provides an integrated solution for the large-scale monitoring and diagnostics of crops for precision agriculture. Gamaya acquires imaging data using sensors mounted on drones and translates the data into actionable information for farmers, such as optimum rates of application for fertilizers and crop protection chemicals, as well as early alerts for disease, pests, and weeds.

Affiliation **EPFL**

Contact info@gamaya.com

5. microGauge aims to develop and commercialize next-generation pressure sensors for industrial vacuum coating systems. The proposed high-precision, full-range sensor offers a means to replace up to four state-of-the-art sensors with one single compact gauge.

Affiliation **ETH Zurich**

Contact stkuehne@ethz.ch

2015 Business idea winners

Place 1–5



1. Pregnolia¹ One in ten babies are born prematurely. Preterm birth is the leading cause of infant death and can lead to a wide range of lifelong complications for affected children. Today, pregnant women are screened for their risk of preterm birth by measuring the length of their cervix, a part of the uterus. The team of Pregnolia has now developed a new device to measure cervical stiffness, which is about twice as sensitive an indicator for preterm birth as cervical length.

Pregnolia founder Sabrina Badir entered the >>>venture>>> 2015 business idea competition with a promising concept, a simple prototype, and a completed

¹name changed from *Pregnostics*

clinical trial. At the >>venture>> speed dating event in February 2015, she met Francisco Delgado, who holds a PhD in bioengineering and now takes care of the continued development of their device. The >>venture>> jury and advisory board were very impressed by Pregnolia's concise business proposal with its well-defined and interesting market.

Sabrina Badir did not only succeed in convincing the >>venture>> jury: following >>venture>> 2015, she won the Falling Walls Young Innovator of the Year award as well as support from the Gebert Rűf Foundation and Venture Kick.

Since the >>venture>> 2015 award ceremony in June 2015, Sabrina Badir has complemented her team with an experienced clinical trial manager and registered the company in early 2016. The team is now running a multi-centered second clinical trial and expects to close a seed financing round by mid-2016. Market entry is planned for the end of 2017.

Looking back at her participation in >>venture>>, Sabrina Badir highly appreciated McKinsey & Company's support package for business idea winners, which helped her plan her way forward and systematically approach her future customers for feedback. Pregnolia will participate in the >>venture>> 2016 business plan competition—we wish the team every success!

Industry Healthcare equipment and services

Place Zurich **Affiliation** ETH Zurich

Contact Sabrina Badir, badirs@ethz.ch

2. TapTools developed a device for nondestructive testing, which promises to become the next key technology in quality control testing. The novel technology goes beyond visual inspection and ensures comprehensive material characterization in a hundredth of a second.

Affiliation **ETH Zurich**
Contact clbeck@ethz.ch

3. SUN bioscience is a biotech company that provides next generation cell culture platforms. They specialize in making three-dimensional organotypic cultures faster, more efficient and more reproducible in order to develop better and new drugs and to define their efficacy in a patient-specific manner.

Affiliation **EPFL**
Contact info@sunbioscience.ch

4. Haelixa¹ developed a class of patent-pending, smart, inexpensive, ultrasmall DNA-based tracers able to measure a range of properties (temperature, oxidative stress, light, pH) in challenging commercial, industrial, research, or clinical settings (e.g., deep underground, within living cells).

Affiliation **ETH**
Contact sensetag@ethz.ch

5. FireHUD helps firemen see through smoke and darkness by showing a thermal image overlay on an augmented reality mask. This increases their situational awareness and capacity to search for victims, making their work safer and more efficient.

Affiliation **EPFL**
Contact info@firehud.com

¹name changed from Sensetag

>>venture>> 2015 in numbers

>>venture>> 2015
supported ...

428

participants

107

business ideas
submitted

95

business plans
submitted

238

teams registered

... and delivered

260

coach-team relationships

20

events with more than ...

1400

attendees

604

jury feedbacks to
participating teams
for their submitted
projects

25

potential new teammates
to participating start-ups

Business plans *An extrapolated comparison shows an increase of 35% in business plan submissions compared to previous years (from 141 to 190¹).*

Number of submitted business plans per >>venture>> edition



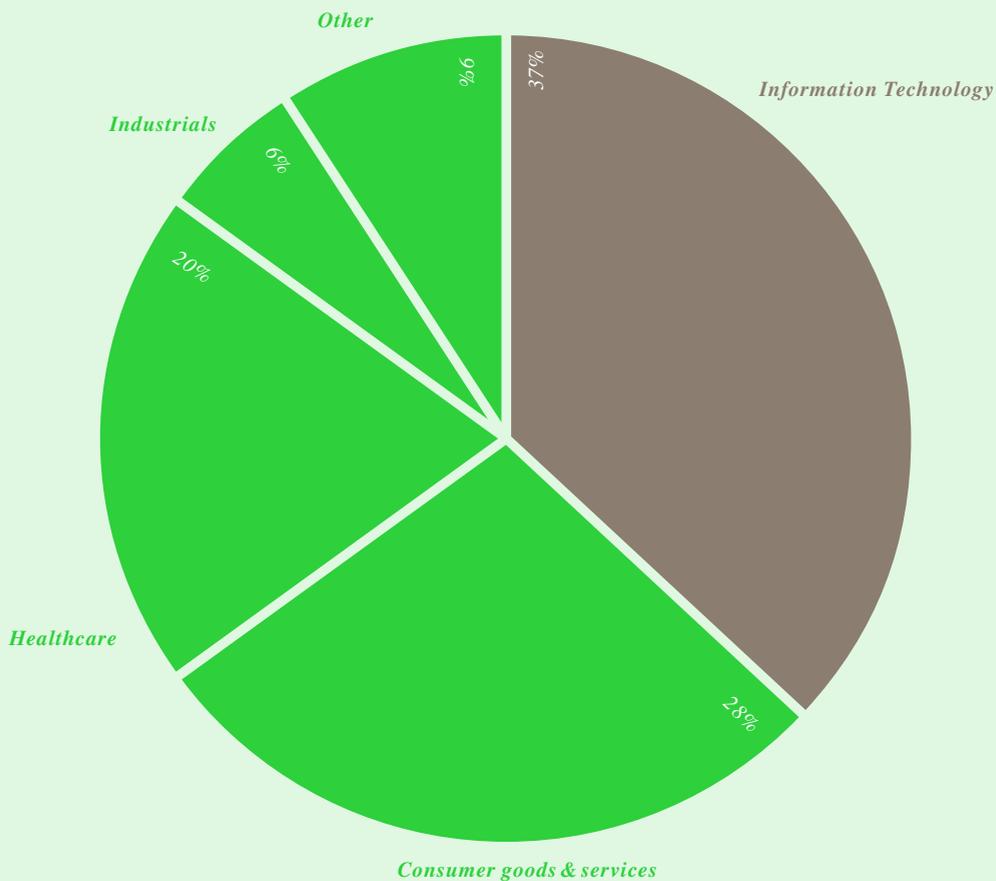
Business ideas *Compared to the previous editions, >>venture>> 2015 had a 40% increase in business idea submissions.*

¹190= 95 × 2, due to the fact that the competition format changed from biennial to yearly.

Industry mix *Most projects in IT, but highly diversified.*

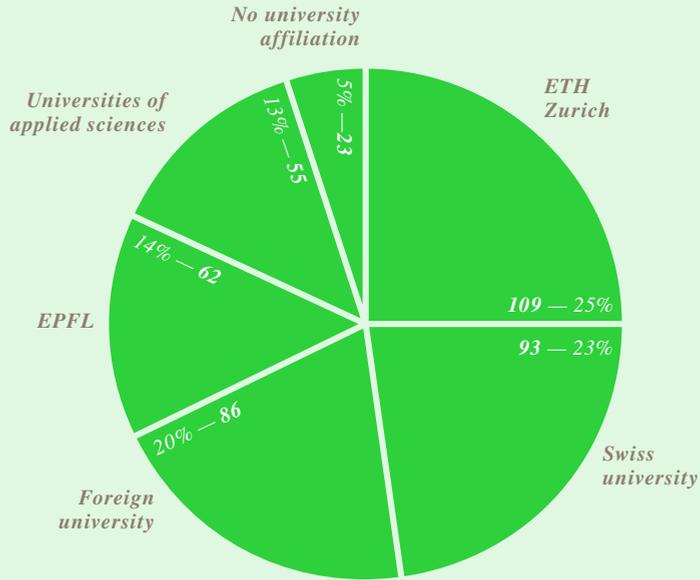
Project submissions

100% = 202



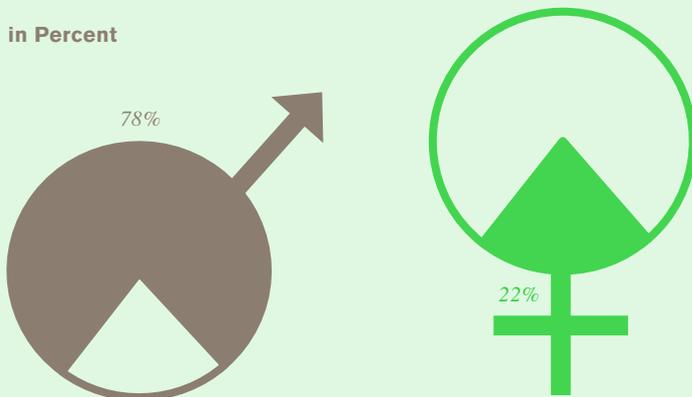
University background *95% of the participants have a university background.*

Number of individuals
428 = 100%



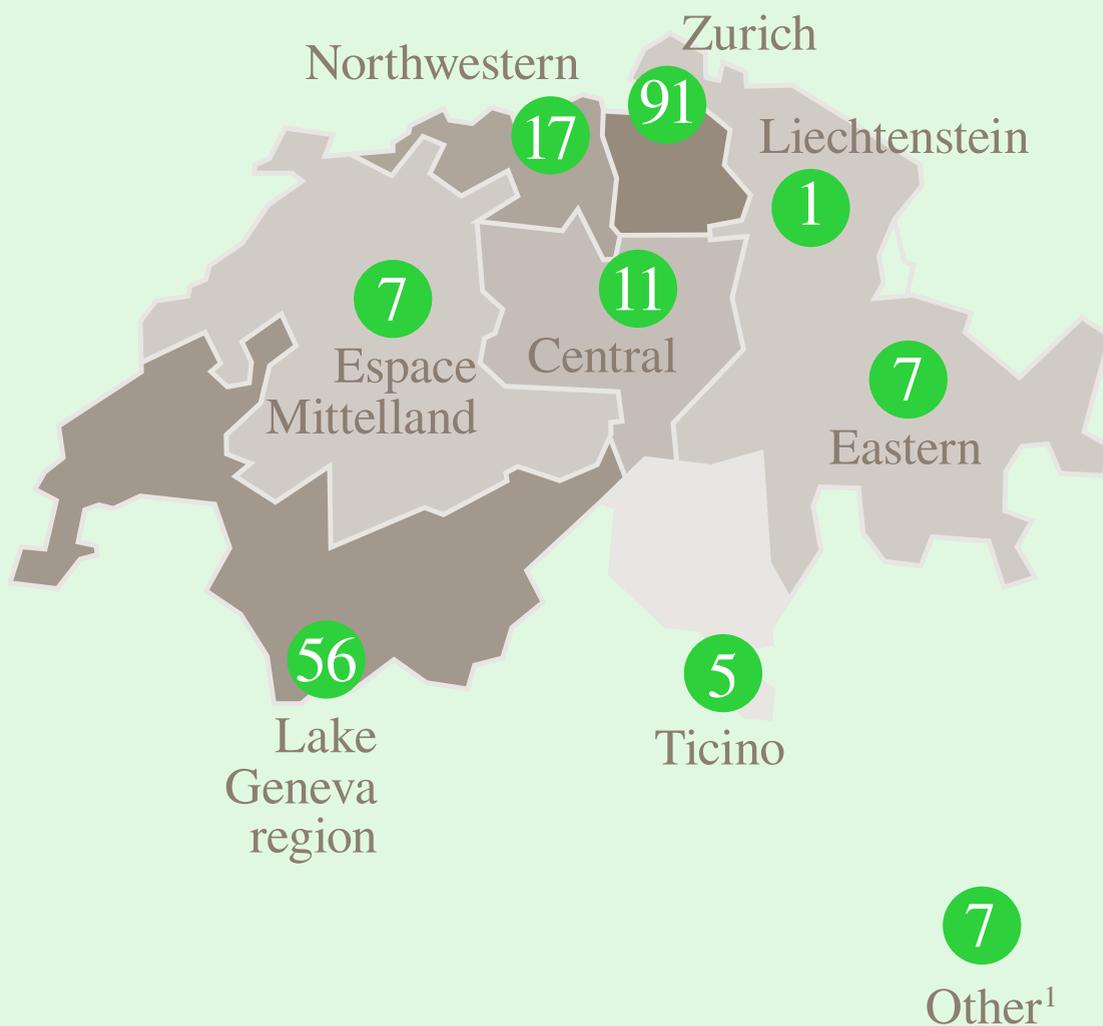
Gender *One out of five participants is female.*

in Percent



Geography >>venture>> is a truly Swiss competition with participating teams from all parts of the country.

Number of submitted projects



¹Projects submitted from abroad by teams planning to incorporate a company in Switzerland.

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LE TEMPS

ZURICH START-UPS HONOURED

“Two Zurich-based start-ups were chosen as winners of the >>venture>> Zurich competition on Monday. CUTISS, from the University of Zurich, who work with skin grafts, won the business plan price, while Pregnostics, from the Swiss Federal Institute of Technology, who are developing a diagnostic tool that measures the cervical stiffness in pregnant women, won the business idea price.”

16.06.2015



PREMATURE BIRTH: EARLY DETECTION OF RISKS

“Researcher from the Swiss Federal Institute of Technology won the first price for their business idea in the start-up competition. They developed a novel examination method, with which the risk of premature birth can be determined more reliably than with ultrasound. The method is in its testing phase.”

19.06.2015

Neue Zürcher Zeitung

INNOVATIVE YOUNG ENTREPRENEURS

“10 editions in 17 years, more than 2,500 participating teams, more than 650 companies founded, which together employ more than 6,000 people: The numbers that were presented during the jubilee edition of the >>venture>> competition for young entrepreneurs on Monday at the Audimax of the ETH read like one huge success story. The numbers of this year’s edition are also impressive. 107 concepts on a few pages each (business ideas), as well as 95 detailed plans for market entry of a new product (business plans) were submitted. 30 percent more than in 2014!”

16.06.2015

SRF

CULTIVATED SKIN FOR THE WIN

“The Children’s Hospital Zurich cultivates skin in its laboratory. Daniela Marino established a start-up from her research project. With CUTISS she aims to improve the healing process for burn victims. Her start-up was well-received in the competition.”

15.06.2015

Events



1 After the 2015 Award Ceremony, the >>venture>> community gathers on the terrace of the ETH Dozentenfoyer.

2 Ruedi Matter (SRF) and Severin Schwan (Roche) in conversation after the Advisory Board meeting.

3 Ralph Eichler (ETH) and Walter Steinlin (CTI).

4 Daniela Marino (CUTISS), winner of the Business Plan competition, receiving congratulations from Matthias Winter (McKinsey & Co) and Anja König (Novartis Venture Fund).

5 It's standing room only at the launch of the 2015 edition of >>venture>> at the École polytechnique fédérale de Lausanne (EPFL).



2

Captions read from left to right

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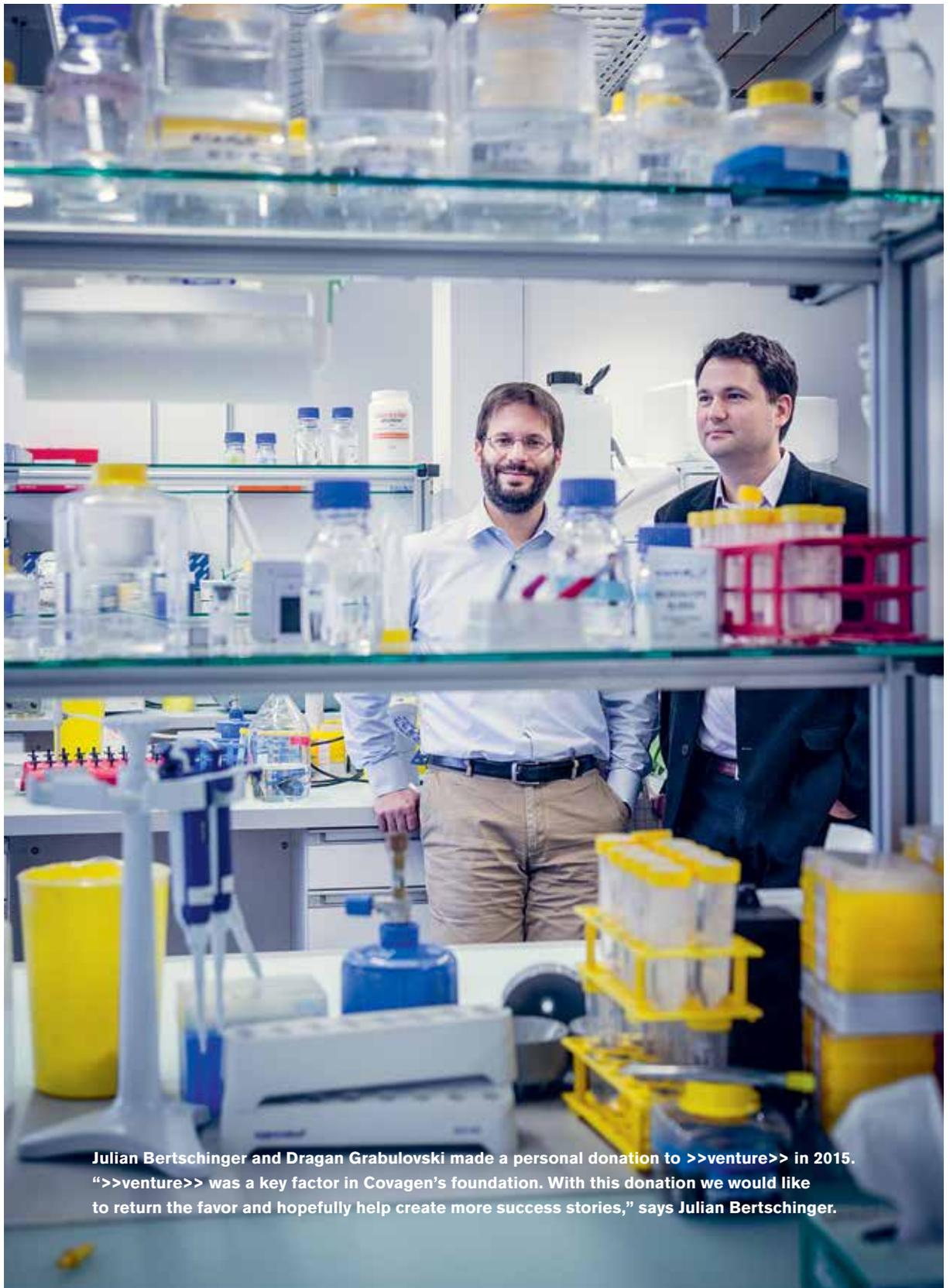


5



1





Julian Bertschinger and Dragan Grabulovski made a personal donation to >>venture>> in 2015. “>>venture>> was a key factor in Covagen’s foundation. With this donation we would like to return the favor and hopefully help create more success stories,” says Julian Bertschinger.



Sucess story — Covagen

2006 — Winner business idea competition

A NEW PARADIGM

_____ The sum the shareholders of the Schlieren biotech company Covagen received when they sold it to Johnson & Johnson (J&J), the world's largest healthcare concern, is a trade secret. But the available information suggests it was well over 200 million francs.

Julian Bertschinger, born in 1976, and his fellow doctoral student Dragan Grabulovski, two years his junior, founded Covagen in early 2007. They and eight venture capital investors sold the company in August 2014 to the J&J subsidiary Janssen. Yet Bertschinger does not have the slightest intention of withdrawing from day-to-day operations to become a consultant or a member of a managing board of another biotech company. "Just as I have no intention of learning to sail or growing roses," he says. Bertschinger, a biochemist by training, obtained his PhD in natural sciences under the supervision of Professor Dario Neri at the Institute of Pharmaceutical Sciences of the Swiss Federal Institute of Technology (ETH Zurich), as did Grabulovski. He remains Covagen's full-time CEO. COVA322 is the reason for Covagen's success. The mundane name COVA322 actually

describes an experimental drug for treating chronic inflammatory diseases such as rheumatoid arthritis and psoriatic arthritis. Bertschinger and Grabulovski are confident that COVA322 has the potential to introduce a new paradigm for the therapy of these hard-to-treat diseases, and Covagen's new owner J&J shares their view. The US pharmaceuticals multinational is a leader in the immunology market, which includes rheumatoid arthritis and psoriatic arthritis, and reported sales of 10.2 billion dollars in this sector in 2014.

But J&J is currently on the lookout for new ways of treating arthritis. The patent for its blockbuster drug Remicade, which has reaped about 7 billion dollars in sales in 2014, has run out in Europe. Revenues are hence expected to fall in the coming years as biotechnologically produced generics known as biosimilars will start to compete with Remicade. The approval to market COVA322 would thus be highly welcome. It will still be a while, though, before the final dossier can be sent to regulating authorities like the US Food and Drug Administration. Bertschinger and Grabulovski don't expect the market launch until 2022 or 2023. COVA322 is currently in the first of three phases of clinical trials. All of these must be passed successfully before the health authorities will even consider a licensing application.

The risk that the active agent will fail at some point on the long road to becoming an approved drug remains high. Bertschinger and Grabulovski are nonetheless proud to have sold their company to a leading pharmaceuticals company such as J&J, proving wrong the skeptics who had been around alongside the supporters from the word go. "I could dig up a few unfriendly mails from critics," Bertschinger says.

COVAGEN TIMELINE

2007

Founded with seed investment from the Novartis Venture Fund

2009

Investor base expanded to include Ventech, Edmond de Rothschild Investment Partners, and MP Healthcare Venture Management

2010

Relocation to Schlieren. Series A financing round of 6.3 million francs with Seroba Kernel as lead investor

2012

Launch of preclinical development of COVA322. Collaboration and license agreement with Mitsubishi Tanabe with 4 million euros upfront payment and up to 220 million euros deal value

2013

Series B financing round of 44.9 million francs with GIMV, Baxter Ventures, and Ascent as new investors

2014

COVA322 begins clinical trials. Acquisition of Covagen by Janssen (Johnson & Johnson)

Covagen started life working on Interleukin-17A inhibitors. In 2011 they came up with the idea of combining these with the TNF-alpha antibodies already used to treat arthritis. The bispecific mechanism means that two inflammatory triggers rather than just one are neutralized, giving it a big potential advantage over traditional anti-TNF drugs like Remicade. It was a dream come true for Grabulovski when COVA322 was first administered to a patient in April 2014. Fortune smiled on him that year: he also became a father and a few months later succeeded in selling Covagen to J&J. Bertschinger and Grabulovski say that as researchers they would hardly have been in a position to get a molecule as far as the clinical trials stage. “A stipend from the Swiss National Science Foundation wouldn’t have been sufficient. To go into clinical trials you need the professional drug development structures that only a biotech or pharmaceuticals company can offer,” Bertschinger explains.

Bertschinger plays the violin in an orchestra in his free time and Grabulovski is a passionate dancer. Both say they have never regretted taking the leap to found a company, but there were times when they were close to the edge. Both still have bad memories of the height of the financial crisis in late 2008 when an investor pulled out shortly before signing. Fortunately, Novartis Venture, the capital venture fund of the Basel-based pharmaceuticals concern, which had given Covagen its first investment in 2007, came to the rescue. Back in 2006 Bertschinger had to rely on his savings of just 48,000 francs for the first few months before securing additional funding. “I knew Novartis Venture was interested in financing us, but the money didn’t come through till later.”

Covagen now has a team of thirty. In retrospect Bertschinger and Grabulovski say they should have tried to drum up funding earlier and more intensively. “It’s typically Swiss: we were too cautious in the early years and our discussions with potential investors revolved around what might go wrong. We’d have done better to stress our above-average potential. If we’d had a bit more chutzpah, things would probably have happened faster,” Bertschinger says self-critically.

Today Covagen can plan further clinical studies for COVA322 and projects like new cancer drugs, knowing it is in a comfortable position to do so. “We now have financial and personnel resources we never dreamed of,” says Bertschinger. The flip side is the bureaucracy that is part and parcel of a major concern like J&J, which had a turnover of over 74 billion dollars in 2014. The medical technology and consumer sectors that complement pharmaceuticals in the company’s portfolio make for a labyrinthine structure. Even longtime J&J employees find it hard to keep things straight sometimes. The advantage is that each subsidiary within J&J has a lot of independence, which Covagen also expects to enjoy. And in recent years J&J has managed to pursue pioneering innovative concepts. _____

TEXT Dominik Feldges



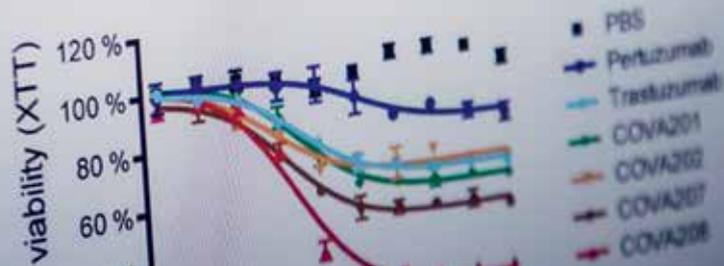
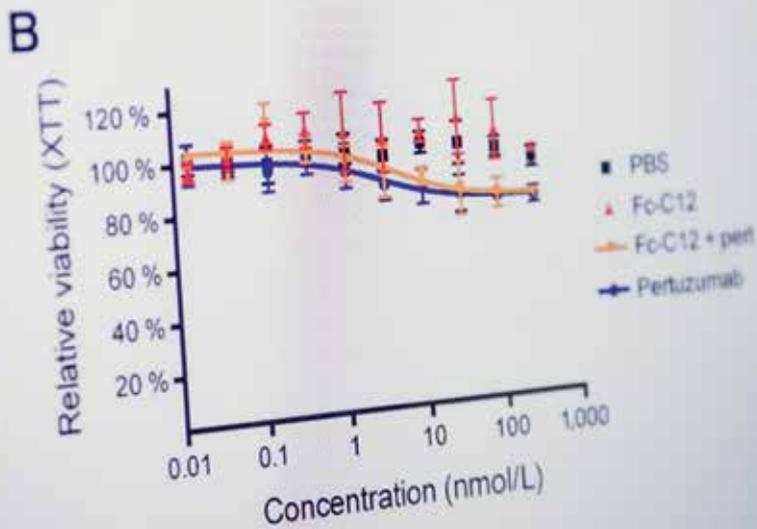
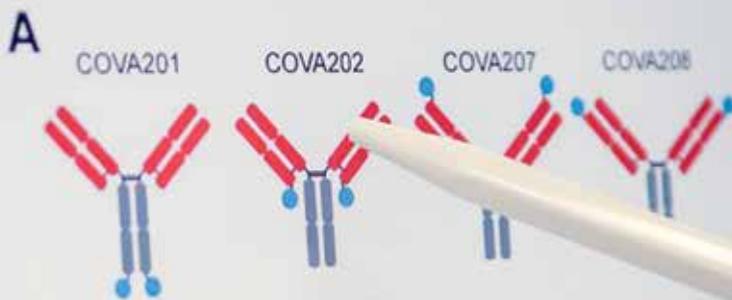
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¹ As of August 1, 2015

² Matthias Winter: until October 2015, Marco Ziegler: from November 2015
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