

## Commission for Technology and Innovation CTI and CTI Invest

# Growing up

It looks like a difficult time to grow up, with crises all around. We apparently just survived the financial crisis and now are deeply worried by what people experience in Japan and how it might spill over to the rest of the world.

Also a good time to take off for new things?

**CTI** has just shed its old clothes and now walks in the new robe of an *"Independent Commission,"* meaning that it now has its own status, a new governance and reports directly to the Federal Council. Of course it still has strong links to the BBT (Federal Office for Professional Education and Technology), whence it emerged. Innovation promotion remains our trade. We are eager to continue the proven instruments and develop new ones.

While the workhorse of CTI remains project funding, start-up support has become the rising star. With the same basic attitude of fostering innovation rather than just distributing money, the start-up branch of CTI has acquired an appreciated place in the start-up ecosystem. It is a vibrant national ecosystem that has evolved tremendously in the past decades. We see smart young people with clever ideas from their research, eager to turn them into real use, hungry for recognition and success, wanting primarily to see their things fly and, rightfully, dreaming to get rich.

However the world is not paradise for those would-be entrepreneurs. There are many aspects to consider and to build when turning an idea into a business. Also, early on, the incubation phase is a barren stretch financially. And later on, shifting from a Start-up company to a high-growth company is again a difficult metamorphosis.

**CTI Start-up's** strategy is not to throw money at things but to connect and arrange players where this does not happen by

itself. It has been done by engaging coaches who act as midwives for ideas to grow into little companies. And by coordinating and training these coaches – as far as they need training yet. The same approach was taken for the problem of early stage financing, in the barren incubation phase: **CTI Invest** was created. An arrangement that would bring together the money-thirsty ideas with the capital looking for promising ideas. A basically simple but highly efficient and apparently effective idea. The trick of course was to activate the right people, thus making it attractive for others to join.

It is exactly this bootstrapping challenge that the people from CTI Start-up and CTI Invest accomplished so masterly. Thus creating an amazing Swiss marketplace for ideas and capital to find each other with different events throughout the year. The formidable *"CEO-Day"* is the annual culmination, where last year close to 350 parties met, discussed and negotiated in about the same total number of bilateral talks. It was as vibrant and ambitious an atmosphere as can be. Go get the groove yourself on [www.b2match.com/ceoday/event/Gallery.html](http://www.b2match.com/ceoday/event/Gallery.html) !!

We are fully aware that this is but a trickle, albeit a very tasty one, in the necessary flow of funding to still the thirst for money of the good ideas. And we are also aware that the thirst is increasing, with more ideas coming into the market, some coached by CTI. And more important yet, our world dearly needs these ideas to turn into solutions, in order to cope with the awesome challenge of a growing population living decently on an earth with limited resources.

CTI Start-up and CTI Invest will work hard to boost this effort of early stage-financing, in proven and new ways, contributing to individual and common success. Ready to grow!



**Walter Steinlin**  
President  
Commission for Technology  
and Innovation CTI



**Dr. Christian Wenger**  
Chairman CTI Invest  
Board Member SECA

Biotech  
Business Angels  
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Microtechnology  
Nanotechnology  
Ramp-up  
Venture Capital

# CTI Invest

The Leading Financing Platform  
for High Tech Companies in Switzerland

www.cti-invest.ch

## Our achievements in a nutshell since 2003:

> 75 Members, 38 Venture Days, 7 CEO Days  
> 180 companies presented  
approx. CHF 300 Mio. financing volume

### Members

A3 Angels  
Aargauer Kantonalbank  
Acton Capital  
Affentranger Associates  
Aravis  
Aster Capital  
Aventic  
BioBAC  
BiomedInvest  
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I-Source  
Jade Invest  
Logitech  
Mountain Club  
New Value  
Novartis Venture Fund  
OCAS Ventures  
OneLife Advisors  
Polytech Ventures  
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SVC AG für KMU Risikokapital  
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Wellington

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Zürcher Kantonalbank  
& more than  
17 Business Angels

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# Third Edition of the Swiss Venture Guide

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### Publisher

CTI Invest  
Seehofstrasse 6  
8008 Zurich  
+41 44 269 60 69  
info@cti-invest.ch  
www.cti-invest.ch

Commission for Technology and Innovation CTI  
Effingerstrasse 27  
3003 Bern  
+41 31 322 24 40  
info@kti.admin.ch  
www.kti.admin.ch

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By phone: +41 44 269 60 69  
By mail: info@cti-invest.ch  
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Dear Reader

The positive feedback from the Start-up Ecosystem in Switzerland motivated us to do it again.

The Swiss Venture Guide's intention is to give future and actual entrepreneurs, investors, politicians and the general public a better understand of what a great country Switzerland is for Innovation.

In 2011 we are presenting you the Swiss Venture Guide 2011 as a Full Version again.

We added some interesting Cover Stories for you.

Potential Support Organizations for Swiss Start-ups are presented in a more detailed way again.

Of course you will discover the 10 Companies we believe are on the way to success. Not always an easy choice to make!

You will also find the Investor Profiles, all of them members of CTI Invest.

Furthermore an overview regarding Businessplan Competitions for high tech start-ups in Switzerland is provided.

To close see important and helpful Links on your way.

This edition of the Swiss Venture Guide was possible thanks to the great support of the Commission for Technology and Innovation CTI.

I wish you an encouraging reading, hope to meet you soon!

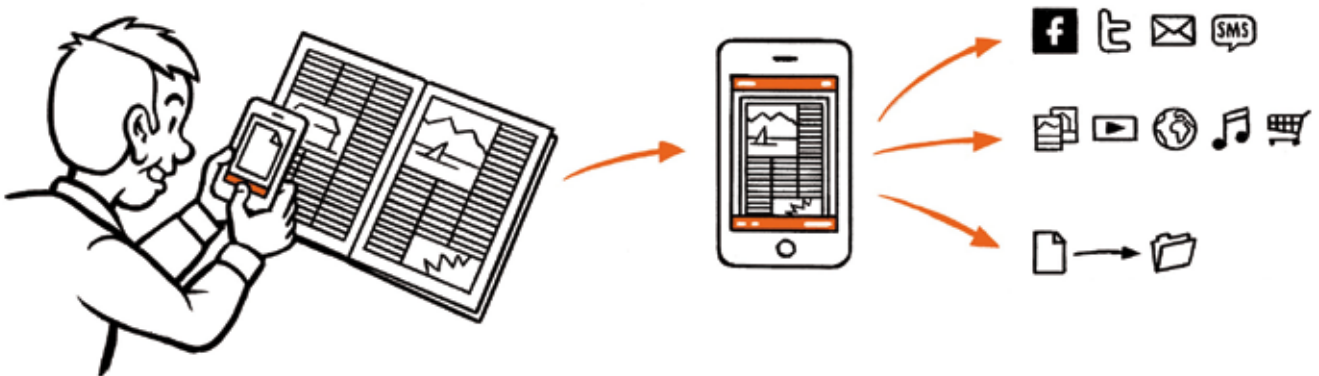


**Jean-Pierre Vuilleumier**  
Managing Director CTI Invest  
Financial Expert CTI Start-up

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\*for iPhone and Android



Sections and/or single pages with the shutter icon are connected to even more content such as videos or links to related websites.

**kooaba**  
IMAGE RECOGNITION

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A close-up photograph of a man in a white dress shirt and a dark, patterned tie. He is looking down and to the right, focused on his task. He is holding a clear plastic water bottle with a green sleeve in his right hand, pouring water into a dark brown wooden tray. The background is softly blurred, showing warm, bokeh light spots.

# Dear SME. We're there for you.

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# Cover Stories

## Introduction

This year we decided to add more interesting information regarding the Start-up Ecosystem in Switzerland.

The Cover Stories are following the simple rule:  
**Do good and talk about it!**

Also actual trends and issues are addressed.

We would like to thank the contributors of the Cover Stories for making this edition more valuable.

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wenger &amp; vieli

# The Swiss VC Market – A Sleeping Beauty?

Switzerland acts as a European entry point for foreign investors, and plays an important role in the VC market for innovation (notably in high-tech industries). In particular, the two Swiss Federal Institutes of Technology in Zurich and Lausanne, and the Universities of Zurich and Basel, develop many high-tech spin-offs. These are excellent pre-conditions for a lively and growing VC market.

However, and in particular compared to other, more mature VC markets, such as in the United Kingdom, Israel or, most importantly, the United States of America, the Swiss VC landscape is still rather fragmented and tender; it is still in its infancy. What is needed in order to close the gaps? What is required in order to kiss a Sleeping Beauty alive?

We consider the following proposals, some of them based on the Venture Capital Manifesto 2010\*, as valuable for a more active VC market in Switzerland, based on our vast experience of transactions in the Venture Capital market:

## 1. Setup of a seed fund

Many start-up companies have difficulties to raise money in their seed phase. Absent any business angels or wealthy family members and/or friends willing to provide the necessary money, the project dies before it could be proven in practice. For such cases, a state-funded seed fund, co-investing either by cash or by granting guarantees similar to its German pendant "High-Tech Gründerfonds" or to some European initiatives, shall bridge the gap and give such start-ups a real chance to reach at least at the proof-of-concept phase.

## 2. Improving the legal environment

Our equity regime in the Code of Obligations ("CO") does not take into account the specific requirements of a start-up company: On the one side, according to art 725 CO, the board of directors is obliged to file for bankruptcy once the equity of the company has been fully used up. On the other side, Swiss company law is rather stiff with a view to any capital changes. Both should be amended in order to give the respective ventures the necessary time to successfully develop and to decrease running costs by avoiding any fees for pure formal capital amendments.

## 3. Introducing further tax incentives

Founders and entrepreneurs should, at least, not be punished while taking the venture. The lawmaker should even introduce further tax schemes to set to right incentives for a prosperous VC scene and to clarify its current practice with respect to unclear provisions. Founders, investors and start-up companies shall benefit from a more tax favourable environment than the current tax schemes.



**DR. CHRISTIAN WENGER**  
Partner

## 4. Establishing a Federal Business Park

Switzerland should promote a business park with international reputation. Such an infrastructure would have the advantage of attracting the world's best researchers, international VC funds and top entrepreneurs. A melting pot of invention, innovation, finance and management is in the best interest of our VC scene. The military airport of Dübendorf, in immediate proximity to the University, the Federal Institute of Technology and the city of Zurich, which will be taken out of service soon, would be a great opportunity to achieve this goal. Closely linked to the "Masdar City" project in the emirate of Abu Dhabi, the Dübendorf airport project is also known as "Abu Dhübi".

## 5. Attracting the best researchers

Switzerland shall do its utmost to attract and retain the best qualified and skilled researchers, i.e. accepting them at our universities, integrate and grant them working and residence visas. In any case a brain drain of talented academics shall be prevented. One shall bear in mind that some of the largest Swiss companies

have been incorporated by foreigners in the past – and we shall welcome them to do so in the future. For the benefit of all of us.

The Swiss VC market has a sound fundament; the pre-conditions are in principle well-established. Taking the above mentioned ideas into account, our VC market – and hence our economy in general – may flourish even more though. VC investment are of paramount importance for mature economies such as ours in order to be re-invented. We see many opportunities to take; we shall just not loose them.

### \* The Venture Capital Manifesto 2010

In 2010, students around Prof. Pedergnana of the Lucerne University of Applied Sciences and Arts have evaluated various measures on how to improve the Swiss VC landscape. Beforehand, Dr. Christian Wenger and Prof. Pedergnana lead intensive talks in which directions the research shall be conducted. The results culminated in the Venture Capital Manifesto 2010, whereby the core findings have been put into 7 theses. The Venture Capital Manifesto 2010 was edited by Maurice Pedergnana and Christoph Banik, and published by SECA, the Swiss Private Equity and Venture Capital Association.



**DR. BEAT SPECK**  
Partner

**wenger & vieli**  
Rechtsanwälte

Name of organization	Wenger & Vieli AG
Foundation Year	1971
Mission statement	We strive for excellence in, among others, the Venture Capital market
Number of Employees	approx. 120
Postal Address	Dufourstrasse 56, CH-8034 Zurich
Contact persons	Dr. Christian Wenger and Dr. Beat Speck, Partners; Co-Head of VC Team c.wenger@wengervieli.ch b.speck@wengervieli.ch +41 58 958 58 58
Webpage	www.wengervieli.ch

Swiss Private Equity & Corporate Finance Association SECA

# Successful Growth Strategies of Early-stage Companies

Entrepreneurs are recognized as important drivers of economic and social progress, and rapidly growing entrepreneurial enterprises are viewed as important sources of innovation, employment and productivity growth. A new global study gives well-structured and detailed evidence on the growth paths and growth determinants of early-stage companies. It's the most profound research study ever done on successful growth strategies. Swiss companies can learn a lot from this unique research.

Many key insights can be obtained. A new strategy framework of eight different opportunity and risk factors emphasizes the most important factors in the DNA of many successful entrepreneurs. The report also highlights different growth accelerators and different growth challenges. Another aspect that attracted high interest in interviews is the dark moments that entrepreneurs reported encountering along their journey.

## Evidence on the growth paths

Extensive evidence on the growth paths of early-stage companies from over 380'000 companies covering ten different countries is presented in this report, also with surprises: The norm of most companies in their early years is a combination of up years and down years! The authors labelled this a "ladder and snakes growth path". For example, 42% of companies have a pattern of two positive revenue growth years and one negative growth year in the Year 2 to Year 5 eras.

Systematic evidence highlights also the low probability that companies with high growth rates in their early years will sustain those growth rates over even a subsequent two- or three-year period. Being labelled a high growth company is a de facto label "likely very short-run, high-growth company". Key aspects of successful growth management of early-stage companies around the globe include

- Taking early actions to reduce the magnitude of down years, including reducing the likelihood of a subsequent downward spiral.
- Taking lessons from the down years to build a stronger engine for future growth.

## A lot of interesting case studies

Some excellent case studies are integral part of the report. Additional executive case studies can be found in the online version of the report at: [www3.weforum.org/docs/WEF\\_Entrepreneurship\\_Report\\_2011.pdf](http://www3.weforum.org/docs/WEF_Entrepreneurship_Report_2011.pdf).

The fresh World Economic Forum report on "Global Entrepreneurship and the Successful Growth Strategies" was initiated to provide a better understanding of the genesis of early-stage entrepreneurial companies to compare their growth patterns. The comparison to further explore the impact of these companies on employment and innovation goes across different geographies.

The report is the culmination of an 18 month-long partnership among leading international scholars, industry practitioners, other distinguished experts and stakeholders. The core research team

was led by George Foster, Professor at Stanford University. The report will specifically be useful to

1. Governments seeking to better tailor their initiatives.
2. Young entrepreneurs looking for guidance from successful past experience of growth companies during their first decade.
3. Partners of early-stage ventures wishing to better understand how they can promote the growth of companies with which they are partnering.

## Learnings for Switzerland

In Switzerland, time begins to recognize start-up activities as the foundation of the country's future growth. The Government should actively promote entrepreneurship through various forms of tailored support. The support certainly needs to go beyond the modest level of direct venture capital support. It has to include indirect encouragement through tax concessions, co-investments and subsidies. This can augment the performance of young companies and their economic impact.

Maurice Pedergrana / Martin Haemmig

**Key Reference:** World Economic Forum, Global Entrepreneurship and the Successful Growth Strategies of Early-Stage Companies, New York / Geneva 2011. Martin Haemmig has been member of the core project team and is one of the co-authors. SECA participated in the survey.



**DR. MAURICE PEDERGNANA**  
Managing Director SECA

## Gebert RUF Stiftung

# An Entrepreneurially Based Grant-making Foundation

GEBERT RUF STIFTUNG, established in 1997 by successful entrepreneur Heinrich Gebert (1917–2007, Geberit), pursues the objective of enhancing “Switzerland as a place to live and do business” as laid down in its statement of purpose. In keeping with the spirit and intent of its founder, GEBERT RUF STIFTUNG is committed to an entrepreneurially based philanthropic model rather new to Switzerland – not only in the selection of projects with an entrepreneurial bias but also in its approach and mode of operation as a grant-making agency itself: It does not distribute money as if from a watering can, but bundles its engagement where it identifies potential, opportunities and gaps. The goal always is to achieve measurable impact.

With an annual budget of around CHF 10 million, it supports projects mainly based at Swiss universities. In accordance with its mission statement – “WISSENSCHAFT.BEWEGEN” – the foundation fosters innovation by supporting new approaches and selected junior scientists in the so-called “valley of death”.

GEBERT RUF STIFTUNG is not an operational foundation primarily supporting its “own” projects, but acts as a grant-making foundation actively enabling and shaping innovative initiatives. In line with the support criteria, a project must be impact-oriented, entrepreneurially based and of outstanding quality; projects from all scientific disciplines are targeted. At the same time, it initiates projects and interlinks supported projects, with the aim of continually developing new time-limited areas of activities within the overall scheme of its grant-making strategy.

### Areas of Activity

As one of its focal commitments GEBERT RUF STIFTUNG launched the “New Entrepreneurs in Technology and Science” (NETS) programme in 1999. The programme supported early stage entrepreneurship by training some 20 entrepreneurial junior scientists (1 participant nominated by each university) a year. The trainees received an intensive course in entrepreneurship in Switzerland and at Swiss House as well as at Babson College in Boston. In 2004, after successfully running for a number of years, the government-funded “venturelab” programme emerged out of the privately funded NETS. Result of a fruitful private-public partnership.

GEBERT RUF STIFTUNG currently places its programmatic commitments in five active areas of activity: science and entrepreneurship (venture kick), universities of applied science (BREF), life sciences (Rare Diseases), Eastern Europe (ASCN) and specific pilot projects (Pilotprojekte). The foundation’s grant-making cluster is supplemented by passive areas of activity, which focus on education policy (Bildung Schweiz), communication of science (Wissenschaft und Öffentlichkeit) and foundation governance (Stiftung Schweiz). Closed areas of activity relate to new learning technologies (eTeach, outphasing in 2011) and a Swiss-Baltic academic grant-making programme (Swiss Baltic Net, until 2010).



**DR. PHILIPP EGGER**  
Director



**DR. PASCALE VONMONT**  
Vice-Director

## Five active Areas of Activity

### SCIENCE AND ENTREPRENEURSHIP



**VENTURE KICK**  
since 2007

After closing down the NETS programme, GEBERT RÜF STIFTUNG turned to addressing a next gap in the innovation chain: The early-stage financing of business ideas at universities. The goal is to double the number of spin-offs by accelerating the founding processes and by making the spin-offs attractive for investors. Following 3 years in operation, venture kick, now financed by 5 foundations, is presenting some successful figures: With an invested capital of CHF 5.5 million, 151 projects have been funded, 105 companies established and 940 jobs created. The companies have generated a further CHF 100 million in third party financing. [www.venturekick.ch](http://www.venturekick.ch).

### INNOVATION AT UNIVERSITIES OF APPLIED SCIENCES



**BREF**  
since 2009

Universities of applied science are an obvious choice of R&D partners for small and medium-sized businesses. But all too frequently finding the way to one another proves difficult or just does not happen. In collaboration with the "Rectors' Conference of the Swiss Universities of Applied Sciences (KFH)", since 2009 the GEBERT RÜF STIFTUNG has invested some CHF 1.5 million annually on conducting model projects and disseminating their results. The best projects are selected under annual calls for submission. In 2010, 5 out of 56 applications were selected.

### LIFE SCIENCE



**RARE DISEASES**  
since 2009

Rare diseases are underresearched. GEBERT RÜF STIFTUNG has set up a flagship programme designed to fill this gap in the life sciences sector. With an annual call, innovative researchers are addressed who are developing and clinically implementing new technologies or methods for the characterisation, diagnosis or treatment of rare diseases. Of the 48 applications submitted in response to the 2010 call, 5 projects were financed with a total volume of CHF 2 million.

### EASTERN EUROPE



**ASCN  
ACADEMIC SWISS  
CAUCASUS NET**  
since 2009

In accordance with its statement of purpose, GEBERT RÜF STIFTUNG is committed to supporting Eastern Europe exclusively with focal commitments. From 2000 to 2008, under the Swiss Baltic Net programme, the focus was on the promotion of young scientists. Following the integration of Estonia, Latvia and Lithuania into the EU, the support programme was successfully closed.

The new Eastern Europe programme addresses the South Caucasus, a focal region at the edge of Europe, concentrating on Georgia and Armenia. The partnership with the University of Fribourg was launched in 2009. By supporting the social sciences and humanities in the South Caucasus, a key contribution is be-

ing made to the process of democratization in Georgia and Armenia, both societies in a state of transition. The programme focuses on the promotion of young scientists. Young people are changing the world. [www.ascn.ch](http://www.ascn.ch)

## PILOT PROJECTS

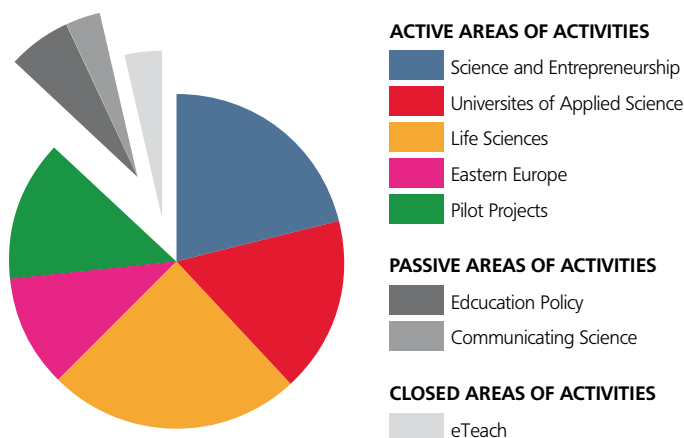


**HIGHLY INNOVATIVE  
PROJECTS**  
since 1998

Even if the grant-making portfolio is based on thematic areas of activity, scope is also to be provided to promote particularly innovative ideas outside these areas. GEBERT RÜF STIFTUNG makes around 30 % of its funds available for pilot projects. Promising projects from all disciplines and from a wide range of contexts are welcome, but they must satisfy the support criteria especially closely.

## Grant-making in Figures

Since its establishment in 1997, GEBERT RÜF STIFTUNG has financed 470 projects overall, providing a total of CHF 101.7 million in grants. The CHF 9.1 million in grants allocated in 2010 were used as follows:



Total foundation expenditure in 2010 amounted to 9.3 % of the funds used, of which 3.2 % were administrative expenses, 6.1 % were direct project expenses for the themes supported.

## GEBERT RÜF STIFTUNG

WISSENSCHAFT.BEWEGEN

Name of organization	GEBERT RÜF STIFTUNG
Foundation Year	1997
Mission statement	WISSENSCHAFT.BEWEGEN
Number of Employees	4
Postal Address	Bäumleingasse 22, 4051 Basel
Contact persons	Dr. Philipp Egger, Director <a href="mailto:philipp.egger@grstiftung.ch">philipp.egger@grstiftung.ch</a> +41 (0) 61 270 88 20 Pascale Vonmont, Deputy Director <a href="mailto:pascale.vonmont@grstiftung.ch">pascale.vonmont@grstiftung.ch</a> +41 (0) 61 270 88 24
Webpage	<a href="http://www.grstiftung.ch">www.grstiftung.ch</a>



## Venture Incubator

# The Magic Number 10 – Congratulations

**10 years ago, 10 enterprises provided 10 million Swiss Francs each, in order to secure the early stage financing of hightech start-ups. Despite the initial prophecy of doom, the holding company Venture Incubator has become a success.**

paper.li is an internet platform where everyone can compile their own daily newspaper by using posted Twitter links. Having barely been set up, the website is booming. "paper.li already has more users than Blick Online", reveals Alain Nicod, CEO of VI Partners, the Venture Incubator's management company. Nicod has every reason to be happy as paper.li is run by the software firm Small-Rivers, based in Lausanne, which is one of the Venture Incubator's portfolio enterprises. Nicod obviously has a feel for prospective highflyers. He himself is one of the few Swiss serial entrepreneurs and has, amongst others, helped to found the online supermarket LeShop. He personally invests in start-ups and was elected Business Angel 2008. His success with Venture Incubator indicates a considerable achievement. Since the foundation ten years ago, 35 enterprises were invested in and altogether 59 million Swiss Francs have flowed back into Venture Incubator from 12 exits ( box).

### Highlights

A year ago, the sale of the small, Schlieren based, biotech company Esbatech to the US group Alcon made headlines, especially because of its high acquisition price. The Americans paid 150 million dollars in cash, a further 439 million dollars will follow once the team from Schlieren has attained certain milestones. The Venture Incubator AG also profited from this sensational sale as ,for a long time, they had had a stake in the company which was founded in 1998.

The sale of Esbatech was only one of Venture Incubator's lucrative exits. The investment company also had a stake in the medicinal technique company, Endoart based in Lausanne, which was sold to the US group Allergan for 97 million dollars in 2007. A further success in 2007 was the sale of Venture Incubator shares in the dental implant manufacturer Thommen Medical to private investors.

Portfolio software and technology companies were equally successfully sold. In 2008, the Austrian company Phion, listed at the stock exchange, took over Visonys a supplier of security solutions based in Zürich. And the chemical group Dow Chemical obtained the attractive technology of HPL Lausanne for itself. This start-up develops especially secure and efficient batteries which can, for example, be used in cars.



ETH VENTURE INCUBATOR FEIER

It is unparalleled, worldwide, that miscellaneous enterprises merge with banks and consulting companies in order to found a new company whose core business is investing in start-ups. The whole thing started one morning in 1996 in a motorway traffic jam. When the then director of McKinsey, Thomas Knecht, had the idea for a college business-plan competition, he was stuck in a traffic jam in the 0was able to accomplish the financing of his spin-off at the University of Zürich. The company Esbatech, which specializes in advancing antibody fragments for therapeutic purposes, was a stroke of luck for the holding company. Thanks to last year's sale of the company to the US group Alcon, millions of Swiss Francs flowed back into Venture Incubator.

The latest deal of Venture Incubator took place in mid November 2010. "We have managed to sell the start-up company Picodrill based in Lausanne," announced Alain Nicod at the ten year anniversary. This sale immediately increased the success record by 5 million. Last spring, however, the odds had still been against Picodrill. Bernhard Gander, the person responsible for M&A at the French Swiss company Logitech, was chairman of the board. Within half a year he had achieved the turnaround as well as the exit of Picodrill. This start-up was of interest to its buyer because the enterprise offered a technology which made the manufacture of minute holes at nano level possible. "Businesses with a turnover of less than 20 million Swiss Francs are only bought if they can offer revolutionary technologies and skills concerning the buyer's core business," states Gander. A company offering a clever new product where the market still has to be set up is, apparently, of no interest to Logitech. "A market set-up literally takes us too long, and is too expensive."



**DR. THOMAS KNECHT**, Director  
Emeritus McKinsey Company Switzerland



**PROF. DR. PIUS BASCHERA**  
Chairman of Venture Incubator

So Venture Incubator lies exactly right. They invest in commercializing new technologies developed at universities, which will later revolutionize products and services in individual branches. There is no end in sight for Venture Incubator's success. Originally, the

project was restricted to ten years. But last year, the investors decided to transform it into an evergreen commitment. This means, that as from now, the return flow can continuously be reinvested into new start-ups. Swiss universities still bear a lot of potential. "Although Switzerland, with its population of 8 million, is not half the size of cosmopolitan cities such as New York, London or Shanghai, it generates 10–20 start-ups dealing with world class technologies every year," states Alain Nicod.



**ALAIN NICOD**  
CEO of VI Partners



## CEO DAY

# A Must for Start-ups, Investors and Industrial Companies



**Promising start-up entrepreneurs, seasoned Business Angels, renowned investors, representatives of multinationals and staff of support organizations: Every year it is a colourful mix of people who meet up on the CEO DAY. And for that very reason visitors are bound to profit.**

Time is a rare commodity for entrepreneurs. Especially for those who are in the turbulent seed and development phase. It is all the more surprising that sometimes two or more representatives of one and the same firm attend the CEO DAY. But it is not only the founders who have rated the meeting top priority. "The CEO DAY is an important platform for us, that is why we not only sponsor the event but several of our staff also participate every year," explains Andreas Schweizer from Start-up Finance at the Zürcher Kantonalbank (ZKB).

The attendance at last year's event was correspondingly high. 350 visitors headed for Berne, amongst them 200 promising start-up entrepreneurs, more than 60 investors and approximately 20 representatives of industrial companies. Apart from Swisscom and Novartis, who have made use of the CEO DAY right from the start, IBM as well as Sonova or Synthes were represented this time.

The CEO DAY's success is owed partly to its professional organization and partly to the constant improvement of what is being offered. In order to make specific networking easier, One-to-One-Meetings were on offer for the first time in 2010. Six 20 minute tête-à-têtes could be arranged via the CEO DAY website. This proposition was obviously in great demand as approximately 400 meetings were thus arranged.

"The One-To-One-Meetings are an important milestone for the CEO DAY", states Christoph Heidelberger and others are of the same opinion. Heidelberger himself, is a successful company founder who has been commissioned to coach several young enterprises by CTI Start-up. He accompanied two of them to the CEO DAY and also to their One-To-One-Meetings. Heidelberger revealed that as a result: "We managed to make promising contact to an investor for one of the companies"

Andreas Schweizer from the ZKB also sums this offer up positively, although the investor had not necessarily expected such a result. In advance, he had been sceptical about the outcome especially about whether the young entrepreneurs would, as a consequence, neglect their preparation of the meetings. "However,



**NETWORKING BETWEEN START-UP COMPANIES:** Keren Eldad von Memonic in discussion with Alexander Illic, Dacuda

the majority of the people I talked to, started the meeting with a convincing Three-Minute-Pitch presentation," says Schweizer.

There were also ample networking opportunities outside the One-To-One-Meetings. "On the CEO DAY, I can meet established companies as well as start-ups from different branches and regions," says Keren Eldad from the Zürich based start-up Nektoon (Memonic). However, the most important contacts that she made were from abroad. The meeting point was the US Business Lounge which was run by Swissnex, the Swiss technology hub from the USA. There, Keren talked to a Business Angel from the East Coast and to a staff member of a Silicon Valley based company which has specialized in negotiating between start-ups and



**1TO1 MEETINGS BETWEEN INVESTORS AND START-UP COMPANIES:** More than 400 meetings in the afternoon

venture capitalists. "We will definitely resort to these two valuable contacts," says the obviously pleased representative of Nektoon.

The elements of further education on the CEO DAY were also very much appreciated. Christoph Heidelberger described the conveyance of knowledge at the workshops as "highly effective". Young entrepreneurs especially appreciated the workshops of those speakers who had themselves substantial practical experience. The best example is Patrick Griss from the engineering company Zühlke. He demonstrated how an innovation is systematically developed from product idea to start of production.

Griss had his own reasons for participating in the CEO DAY. Zühlke is not only a much sought-after industrial partner for start-ups, but since the beginning of 2011, the company also operates as investor by the name of Zühlke Ventures. "Our aim is to, annually, make two or three investments of between 200'000 and one million Swiss Francs," explains Griss. The first deal was already settled in January.

"The CEO DAY is a great chance for investors," says Griss. According to the experienced engineer, the start-up entrepreneurs with their pioneering technologies are not only of interest to financial backers but are also potential partners for seasoned industrial enterprises. "I have often recommended a visit to the CEO DAY to my industrial contacts," says Griss.



**WORKSHOPS FOR START-UP COMPANIES:**  
From the prototype to the product

## "Our aim is to build up a community"

**CTI Invest chairman Christian Wenger on the development of the CEO DAY, technology obsessed entrepreneurs and long-term prospects of the Swiss start-up scene.**

**Swiss Venture Guide: Mr. Wenger, on the first CEO DAY in 2004 you counted 150 participants. 2010 there were already 350. Did you expect such a development?**

Christian Wenger: Not to this extent. We hoped that the CEO DAY would attract 200 start-up entrepreneurs within 10 years. Today, we have already reached this aim.

**What was the initial reason behind the CEO DAY?**

In 2003 we had just started CTI Invest. It became obvious that when start-ups presented themselves to investors, they often lacked the know-how. We now convey this know-how at our CEO DAY workshops.



**DR. CHRISTIAN WENGER** Chairman CTI Invest, Initiator of the CEO DAY in 2004

**JEAN-PIERRE VUILLEUMIER** Managing Director CTI Invest, Organisator of the CEO DAYS since then

**Has this type of further education not become obsolete? The founders have, after all, already attended Venturelab courses and have profited from CTI Start-up Coaching before coming to the CEO DAY.**

That is true, but the CEO DAY offers the know-how exactly then, when the enterprises need it. Workshops on funding topics are, therefore, very well attended.

**At the last event you actually demonstrated further education when, in your introductory speech, you called upon the founders to consider selling their companies right from the start. Is this not a natural course of action?**

No, not at all. Too many founders are obsessed with their companies and their products. But real entrepreneurs often have many ideas. Instead of pursuing just the one, they would better set up one company after the other and simultaneously sell the latter.

**Nevertheless we get the impression that the situation amongst the start-up entrepreneurs in Switzerland has improved over the last years. What is your point of view?**

There is still a lot to do. You see, I have given myself 30 years to help build up a start-up entrepreneur scene in Switzerland. 10 years have already passed. During this time there has been a dynamic development. All around, the level of awareness for young entrepreneurs has risen. We are very pleased as it is the aim of the CEO DAY to build up a start-up community.

## CEO DAY 2011

**The next CEO DAY will be held on October 26, 2011 at the Stade de Suisse, Berne. More information: [www.ceoday.ch](http://www.ceoday.ch)**



## Zürcher Kantonalbank (ZKB)

# Capital for Innovative Start-ups

**Start-up companies often have special capital requirements. In response to this, some six years ago Zürcher Kantonalbank (ZKB) launched its PIONIER-initiative for funding innovative start-up companies. As a platform linking science and business, ZKB accompanies innovative new companies on their way to the market. By investing at an early point of the company's life cycle, ZKB thereby fulfills a vital need.**

The success of the Swiss economy relies on innovations. With the Federal Institute of Technology (ETH) and the University of Zurich, the canton of Zurich can boast two excellent research facilities which are outstanding even in an international comparison. However, the transfer of knowledge from universities into a business has potential for improvement. It takes entrepreneurial spirit and managerial know-how to turn knowledge into a successful product. And it takes capital. That is exactly where PIONIER comes in. PIONIER is an initiative started by Zürcher Kantonalbank (ZKB) a bit more than six years ago. In an early phase of a company's life cycle ZKB invests in promising new products and services. With its roots firmly planted in the economic area of Zurich, ZKB focuses on the continual incorporation of successful new companies in the region. Moreover, ZKB is bound by its legal mandate to play a leading role in Zurich's start-up market.

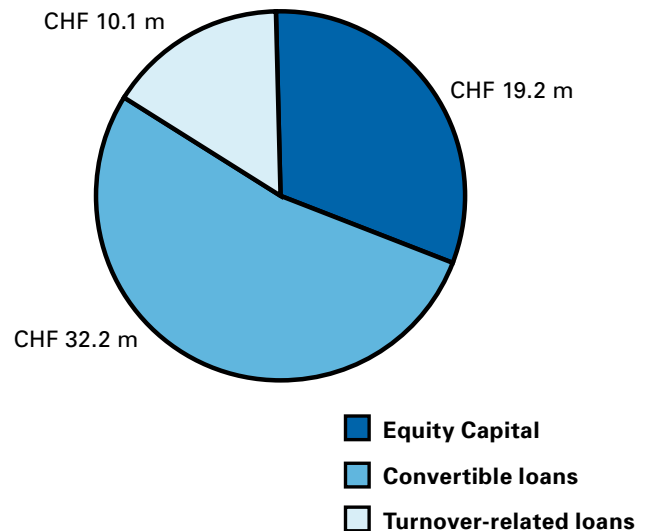
### Covering the needs of start-up companies

The capital needs of innovative start-up companies are often met insufficiently. In particular in the seed phase, i.e. before market entry, liquidity is usually strained. Thus traditional forms of debt financing, such as credit lines and loans, are only suited to a limited extent because interest payments and amortisation instalments become due too early in time. Equity financing and mezzanine forms of financing with low interest payments and a commensurate participation of the capital provider in the company's future success are much more in line with the needs of start-up companies. Equally important are a long-term planning horizon and a reliable partner who understands the start-up company's specific situation. That is why ZKB launched the PIONIER initiative and has invested an average from CHF 10 m annually as a provider of venture capital for innovative start-ups. In addition to providing venture capital, ZKB continues to finance traditional new commercial or industrial businesses, which still outnumber PIONIER start-up companies.

### Broad range of financing

PIONIER gives start-up companies access to funds of up to CHF 0.5 m as early as in the seed phase. ZKB does not claim to cover the company's entire financial needs with this investment – rather, it serves to provide the start-up company with the necessary

**Instruments ZKB Start-up Finance**  
Volume of fundings 2005 to 2010



**Graph 1**

means for developing a prototype into a product which is ready for serial production, and for acquiring initial customers. Once this step from the garage to market has been made, it should be possible to convince further investors of the business idea.

The financing instruments used by ZKB include participation in the company's equity capital or mezzanine forms of financing, in particular turnover-related loans or convertible loans. In the critical early phase, turnover-related loans conserve liquidity because of the low interest payments involved. In return the bank will later benefit from the company's success through a percentage participation on its profit. Hence the provider of capital bears a part of the entrepreneurial risk but will also receive a corresponding return if the company succeeds. Convertible loans give the capital provider the option of converting the loan into equity capital at a later point in time, thus permitting a participation in the company's growth. The stipulated interest rates are usually capitalized and also converted into equity. Approximately half of all PIONIER fundings are granted as convertible loans of which approximately 50% are converted to date into equity. For about a fifth of the fundings, turnover-related loans were used. In all other cases a direct participation in the equity capital was most suitable (see graph 1).

### Management is decisive

Funding by ZKB requires a solid business plan in line with the conditions defined by PIONIER. An initial rough assessment serves, among other things, to fill gaps in the documentation and submit supplementary information. The next step is a detailed assessment. The focus thereby lies mainly on thoroughly analysing the



**ERIKA PUYAL HEUSSER**  
Zürcher Kantonalbank [www.zkb.ch](http://www.zkb.ch)

documentation challenging the business model and evaluating the market potential. The entire due diligence procedure takes approximately eight weeks. An advisory committee including various domain experts from ZKB subsequently decides on the funding.

The main criteria to be analyzed are product, market, management and financial standing. Management thereby is the most important factor by far. Thus ZKB insists that the management team should master the entrepreneurial as well as the technical aspects. Analyzing the market potential is particularly challenging. Given that the products are entirely new, their market potential often can only be roughly estimated. Thus external experts are consulted for judging the product and market dimensions.

### The Portfolio is growing

In December 2010 the PIONIER portfolio consisted of 66 start-up companies. Since 2005 fundings of approximately CHF 61.5 m were granted. Almost half of the investments stem from IT, communications and microtechnology industries. Life science and medical technology are also well represented. Automation, sensors and materials form the third pillar of the portfolio (see graph 2). The quality of the portfolio is above average due to the thorough analysis of the business plans.

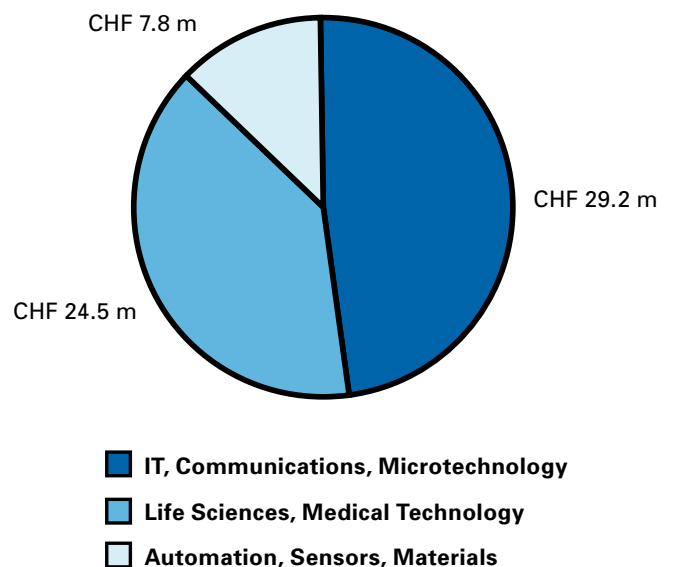
The PIONIER investment history has shown that under certain circumstances it is also necessary to participate in a second round of financing as long as a positive outlook for the company exists. This leads to an enlargement of the financial commitment, if the potential of the business model is still clearly visible. The main fo-

cus of PIONIER is still funding seed companies. During the last years the PIONIER initiative has continued to widen its horizon on managing the current assets and help them grow and prosper. Some of the start-up companies financed with PIONIER received prizes of great renown in the start-up scene and so far nine exits have already been implemented successfully. However, it is in the nature of the business that some of the companies are struggling. Not all of them manage to set up further rounds of funding when necessary. Furthermore, product development sometimes lags behind the schedule, which usually necessitates further investments of time and money. To date approximately 10% of the Start-up's in our portfolio defaulted.

### Valuable network

During the first six years of the PIONIER initiative ZKB has not only funded attractive start-up companies but has also established a large network in the start-up environment. The majority of the companies that received funding have emerged from the network of partners such as CTI, technoparks, incubators or foundation centers. With PIONIER, the participations in the technoparks of Zurich and Winterthur, and the annual ZKB Pionierpreis Technopark, ZKB has underlined its commitment to innovative start-up companies and its intention to serve as a reliable partner linking science and business in the economic area of Zurich.

### Sector Analysis ZKB Start-up Finance Volume of fundings 2005 to 2010



**Graph 2**

Together we can make your  
start-up a success.



Have you got a business idea or are you already in the starting blocks and ready to become one of tomorrow's entrepreneurs? Then it's high time for you to speak to the start-up specialists at ZKB. Providing expertise, commitment and a long-term view, we will accompany you during every phase of setting up your company. As your financial partner we will translate your business idea into a successful company. Speak to our start-up specialists: **0844 843 835**, e-mail: **start-ups@zkb.ch**. **Welcome to ZKB.**

[www.zkb.ch/firmen](http://www.zkb.ch/firmen)

Die nahe Bank



**Zürcher  
Kantonalbank**