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Swiss biotech stands out because we focus on substance rather than overselling

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Dominik Escher, Managing Partner of Pureos Bioventures explores the firm's strategic focus on drug development, particularly in biologics and antibody-based therapeutics. With a keen emphasis on the Swiss biotech ecosystem, Escher discusses the firm's investment approach and its commitment to fostering innovation in Europe and beyond.

Could you start by briefly introducing Pureos Bioventures?

Pureos Bioventures is exclusively focused on drug development, with an emphasis on biologics, particularly protein-based therapeutics and antibodies. We currently operate two funds. The first, a \$205 million fund, has been fully allocated across 18 biotech companies, with approximately 80% of these investments in Europe, and a strong focus on Switzerland. In Switzerland, Pureos has often taken a leading role in financing rounds, actively assembling syndicates. The firm is now raising its second fund, with two investments made to date. Fundraising is expected to be completed by spring 2025.

What are your thoughts on the Swiss biotech ecosystem, its challenges, and the opportunities it offers for investors and entrepreneurs?

Switzerland is a unique hub for biotech, offering a combination of world-class academic research, renowned hospitals for clinical trials, a wealth of pharmaceutical expertise from companies like Roche and Novartis, and advanced manufacturing capabilities. Despite these strengths, one significant challenge is the limited funding available to local biotech companies. This gap often leads Swiss biotech CEOs, including myself in my previous role as biotech CEO, to seek financing opportunities outside the country, particularly in the U.S. This was a key motivation for founding Pureos Bioventures after I sold my previous company to Novartis. Our goal is to provide more local funding to Swiss biotech ventures. While we have made a substantial number of investments in Switzerland, our portfolio also includes 20% of investments outside Europe, in regions such as Asia and the U.S. In terms of performance, we closed the investment period of our first fund last year, and already, we've seen three successful exits: an M&A transaction with Corlieve, acquired by uniQure, and two IPOs during the COVID period. These IPOs, which raised over \$100 million each, were listed on Nasdaq, taking advantage of the liquidity in the market at that time.

The Swiss biotech ecosystem is particularly renowned for its strong scientific foundation in cutting-edge fields such as antibodies, antibody fragments, antibody-like proteins and antibody drug conjugates. Swiss CEOs, while often modest and not as aggressive in marketing, oversee some of the most innovative and impressive scientific work globally. In terms of valuations, Switzerland offers a compelling investment opportunity, with biotech valuations significantly lower than in the U.S., despite comparable or even superior science. This creates an attractive scenario for investors. When it comes to exits, particularly through mergers and acquisitions, the global perspective on valuation prevails. Whether a company is based in Zurich, Basel, or Boston, the ultimate valuation is assessed on a global scale. In this context, Swiss biotech companies, with their strong science and moderate valuations, can present more substantial growth potential for M&A deals compared to overvalued biotech firms in other regions.

What can you tell us about the European biotech ecosystem in comparison to the U.S.?

The European biotech landscape is diverse, with several key clusters that can rival the U.S. in terms of scientific innovation and growth. The UK, with its renowned Oxford and Cambridge regions, is home to world-class science and successful biotech companies. The Benelux region is also emerging as a strong biotech hub, with several companies demonstrating impressive growth and securing significant refinancing. Scandinavia, particularly around Stockholm, is another area of growth, alongside Switzerland, which remains a dominant player in European biotech. However, the investment appeal of these regions can vary. In southern Europe, for example, attracting investors can be more challenging due to unfamiliarity with the local biotech ecosystem. In contrast, regions like Switzerland have already attracted substantial U.S. investment, with many U.S. funds familiar with the area and its opportunities. As we move forward with deploying our second fund, these established biotech clusters will be critical to our investment strategy, as they represent the most competitive and promising regions in Europe.

How do you assess the challenges of conducting clinical trials in Europe, particularly compared to the U.S., and how does the regulatory environment impact this?

The regulatory landscape for clinical trials in Europe, including Switzerland, presents notable challenges. In the U.S., the process is more streamlined, with clear and strict timelines such as the 30-day response period from the FDA. If there is no response within this time, companies can proceed with patient treatment, which helps reduce delays and costs. In contrast, Europe, and

Switzerland in particular, faces a fragmented regulatory system. Companies must navigate multiple bodies and ethical committees, which can significantly slow down the process. This fragmentation is one reason why the number of initial clinical trials in Europe, including Switzerland, has declined.

Despite these challenges, initiatives like the European Medicines Agency's (EMA) DARWIN EUÂ® network are working to improve the efficiency of clinical trials by enhancing data analysis and real-world evidence. From an investment perspective, we encourage our portfolio companies to leverage these efforts, particularly when they have established relationships with local clinicians. For example, companies in Zurich often have strong ties to clinicians at the University Hospital, which helps expedite patient recruitment and clinical trials. While U.S.-based clinicians may be motivated by financial incentives, the personal and emotional connection that European clinicians have to the biotech companies due to long-term relations and consulting can result in more enthusiastic participation, further accelerating the trial process.

Regarding costs, clinical trials in Switzerland are generally comparable to those in the U.S., although there is no reimbursement available, unlike in some countries like Australia, where certain costs are subsidized. Unfortunately, due to the structure of the Swiss healthcare system, direct financial support from the Swiss government is not possible, making the cost of running trials more challenging for companies.

How do you view the current fundraising landscape, and what technologies are you prioritizing in your investment strategy?

When we launched Pureos Bioventures, the fundraising environment was vastly different, with capital more readily available and investors actively raising significant amounts. Today, particularly in Switzerland, family offices can achieve returns of around 4% by investing in less risky assets, which has changed the dynamics. In light of this, our strategy has always been to diversify, especially in the area of antibody-based therapeutics. We have a diverse portfolio with investments across various indications such as oncology, inflammation, and fibrosis, where antibodies have demonstrated considerable efficacy. Our focus is on both best-in-class and first-in-class approaches, targeting novel mechanisms of action to ensure differentiation from existing treatments.

Our investor base is composed of strategic investors, such as Gilead, institutional funds, and family offices with strong connections to biotech and life sciences. Many of these family offices, initially keen to select individual biotech investments, have shifted their approach after encountering the high risks associated with investing in a single company. Given the inherent attrition in biotech—where even well-managed companies with promising preclinical results may face significant challenges during clinical trials—a diversified portfolio approach offers a more balanced risk profile. Investing through a fund allows these family offices to support a broader range of projects, reducing the likelihood of total loss and increasing the potential for meaningful impact.

As for the performance of our first fund, while we do not publicly disclose our Internal Rate of Return (IRR), we have seen significant investor interest in our second fund, indicating that our investors are satisfied with the outcomes of the first. Biotech investments, unlike those in sectors like artificial intelligence or gaming, follow a longer investment cycle. However, the satisfaction that comes with successfully bringing a new drug to market and making a real-world impact on patients' lives is invaluable.

What therapeutic areas are you focusing on, and are you considering emerging fields like CNS, Alzheimer's, or obesity in your investment strategy?

We aim for a well-balanced portfolio that spans a range of therapeutic areas, including oncology, inflammation, central nervous system (CNS) disorders, ophthalmology, and fibrosis. While obesity is certainly a hot topic in the biotech industry, particularly with the rise of GLP-1 therapies, we would only consider entering this space if a truly novel mode of action emerges. Over the past 12 months, we've reviewed a broad spectrum of opportunities, with over 500 biotech companies approaching us, giving us a comprehensive overview of the latest innovations.

Additionally, we are the exclusive venture capital partner for BaseLaunch, one of Europe's leading biotech incubators. This collaboration, alongside major pharmaceutical partners such as Roche, Abbvie, Novo Nordisk, and Johnson & Johnson, provides us with early access to promising projects—many of which are in the ideation phase, straight from academia before they even form a company. This involvement gives us valuable insight into emerging trends across different biotech clusters in Europe, allowing us to shape our portfolio based on cutting-edge innovations.

What is your perspective on the opportunities for biotech companies to list on exchanges outside of NASDAQ, particularly in Switzerland?

The challenge of biotech IPOs is that, for the most part, companies continue to favor NASDAQ as the primary exit route, as it remains the gold standard in the sector. However, some Swiss biotech companies have successfully pursued dual listings, and there have been a few instances where companies have chosen to list exclusively on the Swiss Stock Exchange. While Switzerland has a biotech index, the mindset still heavily leans towards NASDAQ, but this could shift over time. For the Swiss Stock Exchange to become a more attractive option, it will need to reach critical mass, with a well-performing index and a few high-profile success stories that demonstrate its potential. The key advantage of listing in Switzerland is the increased visibility. Companies listed on the Swiss Stock Exchange are likely to stand out more within the local market, as they are among the top listings, whereas companies with lower valuations on NASDAQ can struggle to be noticed amidst the sheer number of listings.

What is your perspective on the profile of biotech founders in Switzerland, and how does this compare to other global hubs?

Switzerland's biotech sector has traditionally been shaped by highly skilled PhD holders, often alumni from prestigious institutions such as ETH Zurich, which become biotech entrepreneurs. This is interesting since we also have many biotech leaders with backgrounds in pharma like Novartis and Roche, but these leaders are less often the founders and entrepreneurs.

At Pureos Bioventures, we place great value on supporting driven individuals, particularly PhD graduates and postdocs, who are eager to step into the entrepreneurial world. While they may lack the experience of running a company, their intrinsic motivation and passion for innovation are key assets. To bridge the gap, we offer tailored coaching in leadership, business development, and scaling strategies. Our team, comprising both seasoned venture capitalists and experienced biotech entrepreneurs, is uniquely positioned to provide comprehensive support, ensuring that our portfolio companies benefit from a wealth of diverse expertise and guidance.

What attracted such a senior team to your fund, and how did you convince them to join?

Our team is composed of highly experienced professionals, including advisors and venture partners. What truly appealed to them was our clear, focused strategy and the depth of expertise we bring to the table. Unlike many other funds, we have a deep understanding of the biotech sector, which allows us to engage in meaningful, in-depth discussions. I experienced this firsthand during my time as a CEO, where I pitched to numerous funds. Few offered the kind of substantive dialogue we can provide. Many funds diversify across sectors such as diagnostics, MedTech, artificial intelligence, and even non-healthcare investments, which makes it difficult for them to truly stay at the cutting edge of healthcare innovation. In contrast, we focus exclusively on biotech, enabling us to offer valuable insights to the companies we invest in. This specialized expertise, combined with the ability to contribute significantly to our portfolio companies, is what set us apart and ultimately attracted such a senior team to join us.

What key aspects of Switzerland's biotech sector should investors be aware of?

I would like to highlight the outstanding quality of Swiss biotech companies. While we receive deal flow from the U.S. and Asia, the scientific rigor and data quality from Switzerland truly distinguish these companies. At Pureos, we sponsor the Emerging Company Stream at the Swiss Biotech Day, where we showcase about 20 new companies each year. It's always impressive to see the level of innovation and quality from these emerging companies. In comparison, many U.S. companies excel at sales, but the scientific depth we see in Switzerland is often unmatched. Swiss biotech stands out because we focus on substance rather than overselling. Everything here is grounded in strong scientific evidence and data. This focus on quality rather than exaggeration is what makes Swiss companies trustworthy and reliable partners. For investors, this makes Switzerland an attractive and dependable option for long-term growth.

What are your expectations for the deployment of your second fund, and how do you foresee the biotech sector evolving in 2025, particularly in Switzerland?

For the second fund, we plan to maintain a similar geographical allocation as in the first, with approximately 80% focused on Europe, particularly Switzerland. This strategy has proven successful, and we aim to replicate it moving forward. Currently, our first fund includes 13 companies in clinical proof-of-concept studies, which is exactly what we set out to achieve—transitioning companies from preclinical stages into clinical trials. Once a company enters the clinic, it becomes a significantly more attractive target for large pharmaceutical companies, increasing the likelihood of mergers and acquisitions (M&A). While the M&A process can take several months, or even up to a year, the interest from pharma is strong, driven by their need to replenish their pipelines with new intellectual property and drugs.

Looking ahead to 2025, we expect M&A activity to be a key driver of exits. Our goal is to continue focusing on top-tier science, innovative technologies, and strong management teams, as we have done in the first fund. The current market environment, with lower valuations, presents an attractive opportunity to invest. We have already made two investments and anticipate making two to three additional investments each year, gradually expanding our portfolio.

How do you advise bioentrepreneurs who may not achieve a massive exit but still aim to build a successful, lasting company?

If a bioentrepreneur's primary motivation is to secure a huge exit, then I would likely advise against pursuing a career in biotech. The reality is that such exits are rare, and the focus should be on addressing a real medical need rather than financial gain. When I founded my company, I never had an exit in mind. Of course, it's important to outline an exit strategy, and my personal preference was always to pursue an IPO, particularly on NASDAQ. However, we faced challenging circumstances in 2009, when the financial crisis hit. Despite having \$90 million in the company, we were unable to proceed with an IPO due to the market conditions. Instead, we pursued a merger and acquisition (M&A) route, which, in hindsight, was the best decision, as it provided the necessary funding to continue advancing our drug development.

For biotech CEOs, the key is to focus on the science and the disease they aim to treat. If you are developing a platform that offers real improvements to patient outcomes, success will follow, whether it's through an IPO, M&A, or other exit strategies. Even if the company doesn't secure a huge exit, the work can still be incredibly rewarding, especially if the company contributes to better treatments for patients.

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