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A Comparative Analysis of Venture Capital in Switzerland and the United States

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Management Summary

In recent decades, there has been a notable expansion of the venture capital (VC) industry on a global scale, despite facing diverse regional dynamics. These local variations have led to significant differences in the behavior of VC firms. Since venture capitalists can enhance the competitiveness of an economy and create new jobs, it is crucial to strengthen the VC industry to establish a favorable climate for entrepreneurs and foster innovation. Thus, the aim of this paper was to examine the differences in the way VC firms operate in Switzerland compared to the United States (US), the market from which the industry emerged, and to explore what the Swiss ecosystem may be able to benefit from. The emphasis was placed on deal flow generation, selection, post-investment involvement, and exit.

To investigate the research question, a mixed methodology combining quantitative and qualitative approaches was chosen. First, within the quantitative part, the backgrounds of VC employees were classified into categories. In addition, investment patterns of VC firms were observed with respect to the stage of investment in the respective start-up. Second, as part of the qualitative research, interviews were conducted with Swiss VC firms to obtain data on the situation in Switzerland.

The results showed that, on average, Swiss VC firms had significantly more employees with a background in banking or finance and fewer employees with science degrees or entrepreneurial experiences than US VC firms. This led to differences in how they interact with universities and start-ups. The US VC firms seemed to pursue an even more co-entrepreneurial approach. Furthermore, while US VC firms, on average, were more stage-generalists than Swiss VC firms, there were indications that the Swiss VC industry moves from early-stage investments backwards to later stages. In addition to the average deal size in Switzerland being about half that in the US, US VC firms had stronger contacts with potential buyers and exit partners, whereas in Switzerland, most deals happen indirectly through M&A advisors. Finally, Swiss VC firms displayed greater activities in early stages versus later stages investments compared to US VC firms. Hence, there is still a notable difference in how venture capitalists conduct business relative to a more experienced VC market. However, the Swiss VC industry is showing signs of development and is still gaining experience to potentially close the gap with the US VC industry. Moreover, based on this study and the data collected on the Swiss VC industry, future research could incorporate the return on investment as further variable to quantify the results.

Finally, the outcomes of this paper are particularly beneficial for VC firms in Switzerland. The findings suggest that VC firms should diversify their team and add more employees with scientific and portfolio company backgrounds as this positively impacts the deal flow generation and post-investment involvement phase. Furthermore, by responding to the identified lack of late-stage VC supply, Switzerland may be able to further contribute towards economic growth.

Declaration of Truth

I hereby certify that this paper is my own work, based on my personal study and research and that I have acknowledged all material and sources used in its preparation and that I have not copied in part or whole or otherwise plagiarized the work of others.

Date: May 30, 2023

[redacted]

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Table of Abbreviations

AUM	Asset Under Management
B	Billion
B2B	Business to Business
BAFU	Federal Office for the Environment
CEO	Chief Executive Officer
CVC	Corporate Venture Capital
ETH	Swiss Federal Institute of Technology

GDP	Gross Domestic Product
H1	Hypothesis 1
H2	Hypothesis 2
H3	Hypothesis 3
ICT	Information and Communication Technology
IPO	Initial Public Offering
KPI	Key Performance Indicator
M	Million
M&A	Merger & Acquisition
NASDAQ	National Association of Securities Dealers Automated Quotations
Nr	Number
RQ1	Research Question 1
SAFIG	Swiss Agency for Innovation Promotion
SECO	State Secretariat for Economic Affairs
STD	Standardized
USA	United States of America
VC	Venture Capital

1. Introduction

The past decades have witnessed sustained and increasing global development of the venture capital (VC) industry. Having emerged in the United States of America (US), the VC industry spread across the globe and has been challenged by regional variations in market conditions and market development (Bruton et al., 2005, p. 737; Wright et al., 2004, pp. 307–310). Studies have revealed that two variables play an important role in explaining why the development started in the US and only spread to Europe after a certain time lag. First, legal systems seem to have a direct impact on VC development, since a sophisticated legal system protects investors' interests and therefore strengthens their desire to invest. This is especially the case with English-based common law, which provides greater investor protection than the civil law that is common in Europe (Wright et al., 2004, pp. 309–310). The same researchers also identified the second variable, namely that the US stock market was well developed early on and hence offered better exit scenarios and opportunities than the European market. Another stream of research has highlighted that it was not until the late 1970s that there was a diffusion of VC business to Europe, specifically to the United Kingdom. In the early 1980s, the expansion of the VC market continued in continental Europe (Bruton et al., 2005, pp. 737–740).

Due to the fact that the VC industry had its origin in the US, US VC managers possess the know-how and experience required to expand to other countries (Andrieu, 2013, p. 234). This has resulted in early VC mangers outside the US either having worked for or been trained by US venture capitalists (Bruton et al., 2005, pp. 739–741). Accordingly, one could expect this to have resulted in the expansion of US industry norms and values. However, institutional forces, cognitive differences regarding the concept of an entrepreneur's status and the legal system are responsible for significant divergence in the behavior of the European VC market (Bruton et al., 2005, p. 743). This has been confirmed by Wright et al., (2005, pp. 140–147), who point out that cultural and institutional variations lead to significant effects on the activities of venture capitalists as well as the roles they assume.

In the light of the above-mentioned factors regarding the comparatively longer experience of US VC firms, the question arises whether this is also reflected in their overall performance. Indeed, practitioners have found that, on average, the US VC market has outperformed its counterparts in Europe, identifying relationships between the experience, the fund size, and the returns of a VC firm (Lerner et al., 2011, pp. 3–8).

It is not only the average returns that differ, but also the investment patterns observed (Bertoni et al., 2015, pp. 556–558). First, the figures have, by and large, demonstrated that transactions – in other words, the amount of investment per company – are almost twice as high in the US as in Europe (Filipe Silva & Karen E Wilson, 2013, p. 11). Second, when it comes to the investment phase – that is, the moment when a VC firm first injects equity into a young company or start-up – US VC firms tend to invest slightly earlier than European VC firms (Bertoni et al., 2015, p. 556). At first glance, two assumptions can be made regarding this observation. The first assumption is that, due to their more extensive experience, US VC firms might be better able to assess the potential of a company, while at the same time, European VC firms tend to be more risk averse than their US counterparts. The second assumption is that US venture capitalists are much more specialized. This specialization has the potential to establish industry-specific know-how and is therefore able to evaluate new business models more effectively. The literature bears out these assumptions, confirming that US funds are on average more specialized and yield competitive advantages through industry-specific knowledge and that European VC firms tend to be less inclined to undertake risky investments (Bertoni et al., 2015, p. 554; Dimov & Shepherd, 2005, pp. 15–17; Lerner et al., 2011, p. 14). Dimov et al. (2005, pp. 16–17) go even further to say that sector-specific human capital is negatively related to company liquidations and that VC firms whose top management have science degrees tend to achieve higher returns on their target company portfolios. These findings go hand in hand with the fact that VC backing is particularly vital in high-tech sectors, where great uncertainties require specific know-how and ultimately financial support (Berglund, 2011, p. 119). Therefore, one could argue that, in line with the above findings, US VC firms achieve better average returns due to the fact that they are the first to respond to new technological advances and successfully anticipate the market.

2. Problem Statement and Research Question

Considering the findings stated above regarding significant different behavior of VC firms outside the US, significant variations in return, and the fact that the critical empirical basis is heavily US centered, there is a distinct research gap (Landström, 2007, pp. 4–5). What has escaped academic attention are investigations into the differences between US and Swiss-based VC firms. The current research provides information about the way business is conducted in the VC ecosystem in the US and draws some comparisons with Europe. However, since the VC industry in Switzerland is relatively young compared to the US according to Sieber (2009, p. 47), the purpose of this paper is to examine the differences in the way VC firms conduct business, from the initiation of a venture capital fund to ultimately fulfilling the obligation of returning invested capital to the respective investors. This includes how they provide value to their portfolio companies post-investment and what the VC market in Switzerland can potentially learn from the more experienced American VC industry. This research is aimed at strengthening and supporting the development of the VC industry in Switzerland, by transferring key aspects learned from the American VC industry to Switzerland. Therefore, the focal point of this thesis is the following research question:

"To what extent does the more experienced American venture capital industry differ from the one in Switzerland in terms of how venture capitalists conduct business?"

The research question focuses in particular on three activities that venture capitalists perform: deal flow generation and selection, post-investment value addition, and exit. In order to answer the research question, the following hypotheses have been formulated, based on the findings of the literature review:

"The employees of venture capital firms in America, on average, hold more scientific degrees than their colleagues in the venture capital market in Switzerland."

The hypothesis above refers to the deal flow generation, selection and post-investment value addition phase of VC firms and provides valuable insights into how VC firms are positioned in terms of personnel and, more broadly, how they interact with start-ups during the holding period.

"The more experienced a venture capital firm the more open is the scope in terms of stage of the underlying portfolio company."

The hypothesis above refers to the selection phase of VC firms, as it targets the connection between the experience of VC firms and the field in which they operate. This hypothesis aims at studying the change of direction based on years of experience. Since the Swiss VC market is younger than the US VC market, Switzerland is anticipated to have more specialist VC firms in terms of stages, which have not yet expanded to several stages at the same time.

"Venture capital firms in Switzerland are not as active in the day-to-day operations of their portfolio companies as American venture capital firms."

The above hypothesis targets the post-investment phase, and more specifically, the value-adding activities of VC firms.

The practical relevance of the research question and hypotheses is derived from the question of what the Swiss VC market can potentially learn from its more experienced peers in the US. Furthermore, strengthening the VC market in Switzerland tends to be beneficial for local economic growth, as demonstrated in Section 3.

Nr.	***Research Question***
RQ1	To what extent does the more experienced American venture capital industry differ from the one in Switzerland in terms of how venture capitalists conduct business?
Nr.	***Underlying Hypotheses***
H1	The employees of venture capital firms in America, on average, hold more scientific degrees than their colleagues in the venture capital market in Switzerland.
H2	The more experienced a venture capital firm the more open is the scope in terms of stage of the underlying portfolio company.
H3	Venture capital firms in Switzerland are not as active in the day-to-day operations of their portfolio companies as American venture capital firms.

Table 1: Research Question and Hypotheses

3. Relevance

The purpose of this section is to demonstrate why it is crucial to fill the identified research gap and contribute to the Swiss VC industry. One of the major objectives in most countries is economic growth, as it is beneficial in reducing poverty and increasing human welfare (Islam et al., 2003, p. 150). Typically, economic growth consists of two variables, namely productivity and innovative strength. Therefore, in order to potentially increase economic growth, innovation in processes, services, and products are usually required. Such revolutionary ideas are often encountered in start-ups. However, these innovation drivers not only depend on know-how and a qualified workforce, but also on sufficient funding (Gantenbein et al., 2011, p. 17).

Switzerland, for example, tends to have a well-functioning banking system, and one could argue that this banking system should be able to finance the start-up industry and support economic growth. Nevertheless, as is often the case, this niche cannot be filled by banks since they usually do not fund undeveloped and uncertain ideas. This is exactly where the VC market comes in, because the banking sector is clearly not a substitute for the VC industry (Samila & Sorenson, 2011, pp. 347–348).

Furthermore, VC firms establish a favorable climate for entrepreneurs, young companies, and innovators, as they are a crucial network provider that ultimately promotes job creation and productivity growth (Weber, 2019, p. 23). Venture capital firms, with their networks and roles as intermediaries, create a special dynamic to enable interactions with universities, founders, and large companies, according to the findings of Ferrary and Granovetter (2009, pp. 354–356). By combining their network of innovators and universities with their ability to fund young businesses or companies, VC firms have the potential to drastically shorten the time required to bring ideas and innovations to market (van Pottelsberghe & Romain, 2004, p. 16). Looking at this interaction from a different perspective, it could be argued that VC firms absorb the knowledge generated by universities and strongly support economic growth.

Furthermore, it is widely known that a sustainable VC community is part and parcel of a sound framework for start-ups. A well-functioning local framework for start-ups is the best possible way to enhance innovation and the competitiveness of an economy (SECO, 2012, p. 5). Gompers (2001) made the interesting discovery that 80% of businesses without VC support fail within the first three years. By comparison, only one third of businesses receiving VC funding fail within the first three years. Moreover, Lerner and Nanda (2020, p. 240) stated that 56% of companies that went public in the US between 1995 and 2018 and were still active at the end of 2019 had been backed by VC firms.

These findings raise another question, namely whether VC firms are merely remarkable selectors of high-potential and high-growth prospects, or whether VC firms actively add value throughout their relationship with portfolio companies. Practitioners have answered this question by confirming that VC firms do add value and that their involvement does matter for the development of portfolio companies (Bernstein et al., 2016, pp. 1619–1620). A study by Kolmakov et al., (2015, pp. 35–36) also concluded that venture investments and the VC community have an effect on innovation development parameters. In addition, a rise in the availability of venture capital leads to a beneficial impact on both employment and aggregate income and therefore contributes to economic growth (Samila & Sorenson, 2011, pp. 347–348). An extensive literature review by Andrieu (2013, p. 234) also revealed that VC firms play a crucial role in the emergence of innovation and hence actively influence economic growth.

Other researchers have studied the relationship between venture capital, government research grants to universities, and the number of patent applications. They found a complementary relationship between venture capital and the public funding of academic research. A virtuous cycle has been described in which government research grants lead to an increase in patent applications, which in turn attracts VC firms. By comparison, a surge in VC supply tends to lead to more patent applications as well. Hence, both venture capital and public funding of academic research complement innovative endeavors (Samila & Sorenson, 2010, pp. 1358–1359).

In conclusion, VC contributes to economic growth by supporting founders, start-ups, and introducing new products, services, and processes that improve productivity and, at the same time, create new jobs (Samila & Sorenson, 2011, pp. 347–348; van Pottelsberghe & Romain, 2004, p. 16). The fact that the VC industry makes a significant contribution to the development of the economy has also been acknowledged in Switzerland (Gantenbein et al., 2011, pp. 17–18). Therefore, a possible strengthening of the Swiss VC market through an analysis of the more experienced VC market in the US could, contribute towards economic growth.

4. Methodology

The goal of this section is to outline and describe the methodologies used to undertake the research referred to above, test the hypotheses, and fill the research gap. For this, a mixed method comprising quantitative as well as qualitative data analysis was selected. The quantitative approach reinforces the qualitative part and serves as a basis for the development of the initial situation. Subsequently, the qualitative part can be compared with the previously established quantitative part in order to answer the research questions and either confirm or reject the various hypotheses.

4.1. Quantitative Part

Since the overwhelming majority of the literature is oriented towards and focused on the US, the paper starts with a profound literature review that serves as context for the research project. The focus of this detailed literature review is on the following three areas of the VC business. The origin of these three areas is described in section 6.1.:

- Deal Flow Generation & Selection
- Venture Capital Involvement Post-Investment
- Exit from Portfolio Companies

The sources and data collection for this literature review were purposively selected by the author. The diverse sources included high-quality, peer-reviewed academic journals that contained valuable findings and provided a sophisticated basis. The goal was to target research papers that specifically analyzed VC firms that operate in or focus on the US market. This allowed to draw specific conclusions about the behavior in each area outlined above.

Furthermore, the five largest and most experienced US and Swiss VC firms are analyzed and provided numerical findings. The selection of the five largest and most experienced five US and Swiss VC firm was undertaken on the basis of the following criteria:

- Age of VC firm

- Asset under Management (AuM)
- Number of VC Funds

An in-depth analysis of all ten VC firms provided answers in respect of H2.

Moreover, the entire VC industry in the US was compared to that in Switzerland in terms of the stage that received the most attention from VC firms, that is, to analyze which phase (seed, series A, series B, and series C) received the highest deal flow in terms of invested capital and number of deals for US-based VC firms compared to Swiss-based VC firms. This constituted the basis for either confirming or rejecting H2 from a different angle.

The data collection was conducted using PitchBook as a financial database. This platform is frequently cited by top-tier media organizations as well as trusted by industry-leading organizations worldwide. Hence, it is capable of providing insightful data on the historical as well as existing funds of the VC firms under consideration. By consulting data from PitchBook[1] following data types, among other things, were in focus:

- Portfolio companies in the funds (regarding the stage of investment); and
- Changes over time (scope of 10 years)

This dataset enabled the researcher to create a classification grid and rank VC firms as either stage specialists versus stage-generalist and how it evolves over a specific period.

In addition, the employees of various VC firms in the US and in Switzerland were analyzed. The data were used to identify the profiles and backgrounds of VC employees. This information was accessed from the online presence of the VC companies or LinkedIn, and job vacancy profiles were consulted. To ensure anonymity, this paper does not list any names or profiles but describes overall characteristics and high-level observations. This was used as the basis for answering H1.

The above-mentioned data together provide a holistic basis and key findings that contribute to answering the research question.

[1] Source: PitchBook Data, (2023, May 3) https://pitchbook.com/

4.2. Qualitative Part

The qualitative approach provided detailed insights into the VC market in Switzerland and the business practices of the VC community. The characteristics previously identified in the quantitative analysis were used for comparisons with the situation in Switzerland. By deliberately selecting people who have a wealth of information, purposively selected samples, as opposed to random samples, enhance the probability of capturing the diversity of the social occurrence being studied, even if the sample size is small. The primary objective is not to achieve statistical standardization of results, but rather to conduct a detailed and contextual examination of the disparities between a mature and experienced market and a comparatively younger one. With this in mind, 11 senior partners from 11 different Swiss-based VC firms were interviewed. In addition, an interview was conducted with the Chief Executive Officer (CEO) of a start-up that received funding from both US and Swiss VC firms. This provided further insights from a different viewpoint and enriched the dataset. The data collected from the interviews enabled the researcher to gain a more comprehensive picture and test H2 and H3, as well as provide answers to the research question.

The main goal of the interviews was to identify how VC firms in Switzerland operate within the business areas described above. The interviews were conducted in a non-experimental and single-stage manner. The 11 selected Swiss VC companies were analyzed in their real-life environments (i.e., field research). The research was designed as an empirical comparative case study that represents snapshots of the VC's current situations, meaning that any potential evolution of data over time was not analyzed (i.e., cross-sectional study). The interviews with the senior partners from the companies under study were structured as semi-standardized interviews in which the order and wording of the questions were handled flexibly. A guided questionnaire was utilized to ensure that all relevant aspects were adequately addressed during the interviews. In addition, the questionnaire guide served merely as a point of reference, to ensure that all interviews were approximately comparable.

The interviews were split into two parts. Part 1 consists of predetermined questions about the interviewee's background and industry experience. This part was not transcribed. However, introductions to the VC firms are available in the appendix. Part 2 comprises the core part of the interviews and was divided into the following sections:

deal flow generation and selection, post-investment involvement, and exit. This part was less organized and allowed the VC managers to raise additional points on the general stages. The interviews were conducted in a very open and informal way in the mother tongue of the interviewees. This approach was used to create a comfortable environment and encourage the interviewees to speak freely, in order to elicit unexpected information and obtain more complete narratives. The second part of the interviews was taped and converted into written form through transcription.

The transcripts were subsequently meticulously examined on a line-by-line basis and segmented into distinct textual sections or meaningful units. Text sections could consist of whole or partial sentences. The findings were subsequently examined for resemblances and distinctions when compared to the literature review and quantitative analysis. Lastly, the comparison between the findings of the literature review and the quantitative research, as opposed to the qualitative analysis, provided the basis for answering the research questions and either confirming or rejecting the hypotheses. A more detailed explanation of the methodology used to analyze the interviews is provided in Section 8.1.

4.3. Limitations

As the findings are derived from interviews that were not accompanied by actual observation, it is likely that there are imperceptible inconsistencies between individuals' statements during interviews and their actual actions in real-life situations. Therefore, the first part of the interviews is designed to get an idea of the background and work experience of the interviewee. Furthermore, the interviewer followed up vague statements with a request for concrete examples. The small number of interviews also precluded overly broad generalizations.

The aim of this paper is not to universalize on the basis of statistical representation. Rather, the goal is to draw theoretical generalizations by acquiring fresh perspectives on how VC firms operate in Switzerland in comparison to the US. Future studies could then perform statistical generalizations based on this paper.

Moreover, there is a challenge of interviewees representing the broader population of Swiss VC firms. Therefore, the sample may not fully capture the diversity of know-how and experience that is present in the Swiss VC ecosystem. Thus, a range of interview partners were selected that represent established and younger VC firms. The presentation of each venture capital firm is provided in the appendix.

Another relevant limitation needs to be considered in terms of trying to add value to the Swiss VC community by analyzing the practices utilized by the American VC colleagues. Practitioners have highlighted the significant impact of economic, legal, institutional, and cultural variances on the operational landscape of venture capitalists (Manigart et al., 2002, p. 298). Therefore, the all-encompassing implications derived from the US VC market may not have universal relevance to the European VC industry in its entirety, or the Swiss VC industry in particular.

5. Containment

The term "corporate finance" describes different types of financing, and it is vital to differentiate between the various types. Since the focal point of this paper is venture capital, the following sections describe the distinctions between venture capital and other types of financing, as well as highlight further limitation of the scope of the research.

5.1. Angel Investors versus Venture Capital Investors

It is difficult to find academic research on angel investors because angel investors mostly act at an informal level, and there are usually not many statistics or sources of information on deals between start-ups and angel investors. However, the different characteristics of venture capitalists and angel investors can be outlined. Angel investors are often either entrepreneurs who have exited their companies and wish to invest their proceeds or retired senior executives of large companies (Dirk De Clercq et al., 2006, p. 93; Prowse, 1998, pp. 786–788). Active involvement is crucial for these investors, and they often act as mentors, advisors, or members of the board (Mason & Harrison, 2010, p. 1).

By comparison, for VC firms, the economic potential of start-ups is of greater importance (Hsu et al., 2014, p. 18). While angel investors have rather informal methods of screening and monitoring, venture capitalists are more formal and use contract-based methods (Ibrahim, 2008, p. 1408). One reason for this is that venture capitalists act as intermediaries and must produce returns for venture fund investors, whereas angel investors are individuals who invest their own personal funds and are therefore not bound by such constraints (Ibrahim, 2008, p. 1408; Prowse, 1998, pp. 786–788). Ibrahim (2008, p. 1408) has highlighted that most angel investors do not invest merely for financial reasons, but also for personal or non-financial ones. In addition, he noted that angel investors invest earlier than VC firms, and that VC firms leave a certain funding gap open, which is often filled by angel investors before venture capitalists are attracted to a start-up (Ibrahim, 2008, p. 1416).

Both researchers Prowse (1998, pp. 786–788) and Ibrahim (2008, p. 1452) have explained that angel investors often become involved after a start-up's funding needs have exhausted the resources of family and friends and play a role in what is referred to as the second round of financing. Another difference between angel investors and venture capitalists relates to the stakes in start-up companies. High ownership stakes are often of great importance to venture capitalists, but not to that extent to angel investors (Vanacker et al., 2013, p. 1092). Angel investors tend to be active in ventures where they have an opportunity to leverage their industry contacts and expertise (Dirk De Clercq et al., 2006, p. 93). Furthermore, venture capitalists and angel investors seem to attach similar importance to the human capital of a specific entrepreneur or team (Hsu et al., 2014, p. 18). Angel investors like to be geographically very close to the venture they invest in, whereas VC firms attach less importance to this factor (Prowse, 1998, p. 791).

	Angel Investor	***Venture Capitalist***
Legal Form	• Private individual	• Legal entity • General partnership
Financing Stages	• Pre-seed • Seed	• All stages
Reporting	• Mostly informal (light) • Varies per individual	• Financially/Milestone focused • Defined reporting routine • Methodical procedures

Exit Plan	• Trade sale • Mostly unplanned and not timed • Longer time horizon till exit	• Planned and tied to fund's life time • Trade sale / IPO • Shorter time horizon till exit
Source of Funds	• Private funds	• Investing funds of external limited partners
Motive for Investment	• Equity growth • Personal non-financial • Emotional component	• Equity growth only • Return focused
Locating Investor	• Angel investor network • Rather difficult to locate • Prefers anonymity • Regional focus	• Easier to find • Visible presence on market

Table 2: Difference between Angel Investors and Venture Capitalists [2]

5.2. Private Equity versus Venture Capitalists

While little scientific research has been conducted on the differences between private equity and venture capital, it is important to distinguish between the two. First, it is widely known that venture capital is usually seen as a subcategory of private equity. However, if one looks at venture capital firms in comparison to specialist private equity boutiques, clear differences in investment behavior can be observed. Private equity firms typically invest in companies that are at a late stage of development, often with leverage in the form of debt financing from a bank. In this process, private equity firms usually acquire the majority of the shares in order to exercise control, realign the strategic activities of the underlying company, as well as streamline operations to increase revenues (Bertoni et al., 2013, pp. 608–610).

The opposite is the case in the VC sector, where a minority of shares is usually acquired. For this reason, VC funds tend to be more diversified and invest in a larger

[2] (Dirk De Clercq et al., 2006, p. 97; Ibrahim, 2008, pp- 1408-1419; Prowse, 1998, pp. 786-791)

number of start-ups, which lowers concentration risk. Furthermore, private equity funds are mostly larger than VC funds and typically attribute more importance to profitability than venture capital firms. On the other hand, VC firms focus more on selecting early stage start-ups that exhibit high revenue growth, scalability, and a sophisticated business model (Block et al., 2019, p. 338 & pp. 350–351). Another interesting finding of Block et al. (2019, p. 338 & pp. 350–351) is that VC professionals are more frequently from natural sciences and engineering backgrounds compared to their private equity colleagues.

5.3. Corporate Venture Capital versus Venture Capital

A further distinction needs to be made regarding the types of VC firms, namely that they can be divided into independent VC firms and corporate venture capitalists (CVCs). In the present study, the focus is on independent VC firms. However, it is important to understand the difference between the two forms of venture capital.

Considering the overall organization of the two versions of venture capital, major differences emerge. While independent VC firms are typically organized as limited partnerships, CVC firms appear to be subsidiaries of nonfinancial corporations that invest in start-ups on behalf of their mother company (Chemmanur et al., 2014, pp. 2441–2442). Moreover, Chemmanur et al. (2014, pp. 2441-2442) have stated that, compared to independent VC firms that have multiple investors or limited partners, CVCs often receive funds only from their corporate parent. Furthermore, CVCs often enjoy more flexibility in terms of the capital they can draw on, whereas independent VC firms are contractually limited. Another crucial contrast described by Chemmanur et al. (2014, pp. 2441–2442), is concerning the life span of a fund. CVC firms typically do not have a fixed lifespan and can exist indefinitely, while independent VC firms are structured differently and have a limited lifespan that is determined by a contract.

In addition, the post-investment value-adding elements of VC firms and CVCs tend to vary. Independent venture capitalists support by follow-on investment rounds, recruitment of personnel, and overall professionalization of the start-up, whereas CVCs excel at assisting with the development of commercial credibility and capability, as well as offering technological assistance and often even access to foreign customers (Maula et al., 2005, pp. 16–17). This finding has been supported by further studies, which found that CVCs tend to possess greater industry expertise as a result of technological alignment between the parent company and its venture and demonstrate a higher tolerance for failure, which may be attributed to the compensation structure, which is typically less performance oriented (Chemmanur et al., 2014, p. 2470).

Technological alignment is achieved because CVCs usually follow a strategic mission to enhance competitive advantage and seek outside know-how within start-ups. Therefore, the motivation for investment is not only equity growth, which is the case with independent VC firms, but rather the strategic value (Dirk De Clercq et al., 2006, pp. 94–97). Dirk de Clercq et al. (2006, pp. 94-97) further noted that the parent company often provides an exit path for the relevant start-up, alongside the trade sale and initial public offering (IPO). For these reasons, CVCs are frequently willing to pay premium prices for equity.

5.4. Comparing the Swiss and US Venture Capital Ecosystem

Innovation and economic growth of recent decades have been significantly influenced by the VC industry, with its origins in the US (Andrieu, 2013, p. 2334). For this reason, the US VC market was chosen as the basis of comparison for the VC market in Switzerland. Therefore, this section discusses certain similarities and differences between the two countries in terms of their VC ecosystems.

As the power to innovate tends to be one of the core components of a robust start-up ecosystem that attracts venture capitalists, it is interesting to compare the US and Switzerland in terms of their ranking on the Innovation Index (Dutta et al., 2022, p. 43, 205, 217). The rankings indicate that, out of 132 countries, Switzerland has been ranked number one 12 times in a row, closely followed by the US in second place. In this respect, the two countries are very similar, which renders Switzerland just as attractive as the US to VC firms in terms of start-ups with revolutionary ideas. However, the ranking also indicates that in terms of market sophistication (finance for start-ups, VC investors, diversification, and market scale), the US is clearly number one and Switzerland number eight (Dutta et al., 2022, p. 43, 205, 217). This indicates a more developed VC industry in the US, which is also the finding of most academic articles.

In addition, the World Economic Forum (WEF) published a report on global competitiveness. When it comes to macroeconomic stability and factors that determine the level of productivity, Switzerland ranks in the fifth place and the US in the second place out of 141 countries (Schwab, 2019, pp. 534, 537, 582, 585). Hence, also from this perspective, the two economies are not far apart. Yet, looking at the details of the report, the difference in the availability of venture capital is greater, as Switzerland ranks 16th, while the US is clearly in first place. In terms of numbers, the amount in VC invested in the US in 2019 was more than 24 times the amount invested in Switzerland (OECD, 2019). This indicates a dramatic difference in VC funding between the two countries. Broadening the perspective, it is found that for every dollar invested in venture capital deals, only 14 cents reach Europe, while 51 cents are invested in North America (Dutta et al., 2022, p. 32).

Of course, the size of the underlying economies must be considered in order to draw meaningful comparisons. Hence, the invested amounts should be assessed in relation to the gross domestic product (GDP) of the two economies. It is worth noting, however, that VC investments can fluctuate greatly from year to year, depending on a variety of economic factors, and therefore represent only one aspect of a country's start-up ecosystem. In 2017, the US achieved VC investments to the value of approximately 0.4% of its GDP, while Switzerland had VC investments of only around 0.06% of its GDP. Accordingly, the difference between the US and Switzerland is reduced from a multiple of more than 24 to just below seven (OECD, 2018, p. 15).

The difference in market size and the number of deals is emphasized by an analysis performed on PitchBook (PitchBook Data, 3 May 2023, https://pitchbook.com/) that demonstrates the number of deals and capital invested. The graphs below present data on VC firms that either have their headquarters in Switzerland or the US. While both markets saw steady growth in invested capital between 2017 and 2021, 2021 and 2022 were very high-volume years in the US and Swiss markets. For example, US VC firms made 11,520 deals and invested capital of approximately EUR 192 billion (B) in 2022.

In the same year, in Switzerland, the VC industry reported 212 deals and invested capital of approximately EUR 2.7 B.

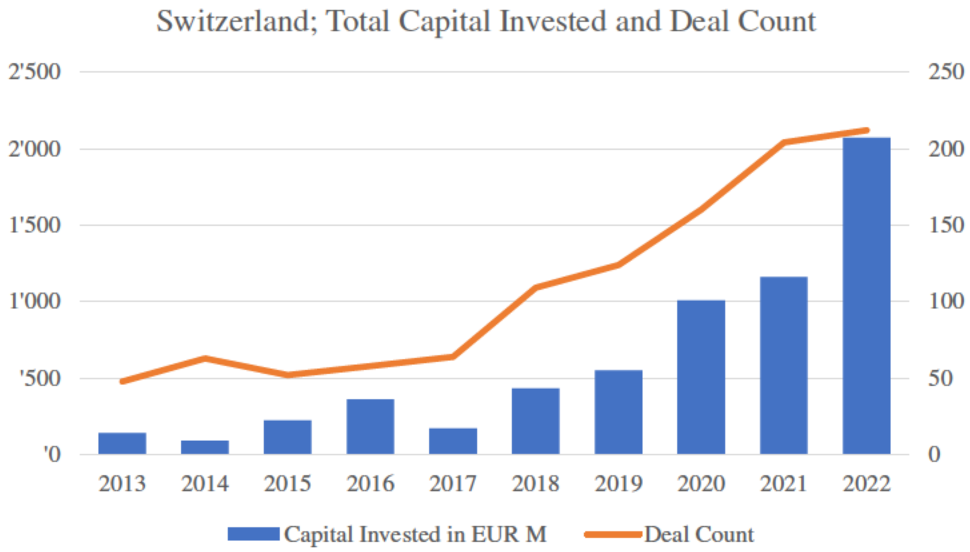

Figure 1: Switzerland; Total Capital Invested and Deal Count

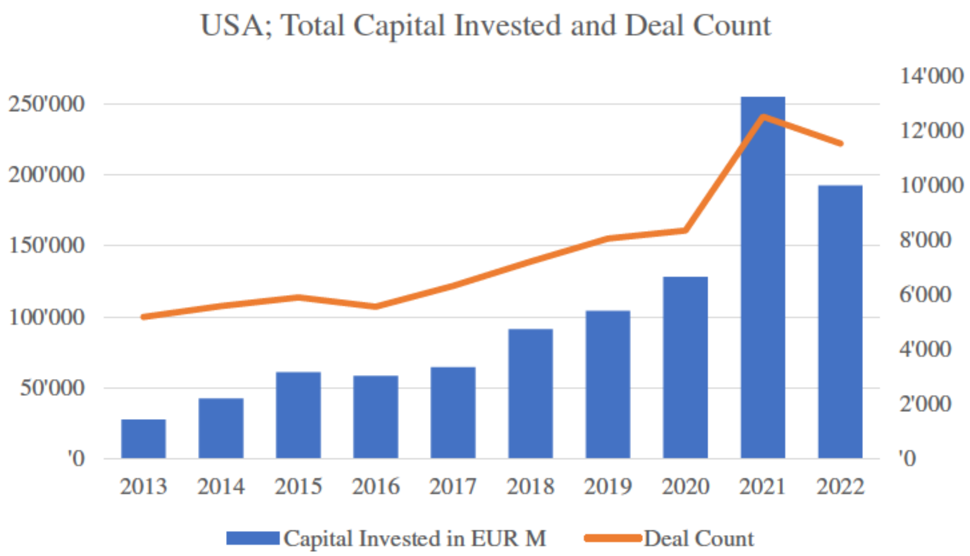

Figure 2: US; Total Capital Invested and Deal Count

Another perspective that illustrates the difference in the development or maturity of the VC industry between the two markets is reflected by the amount of funds or capital raised by VC firms. While in Switzerland the amount of funds from Swiss VC firms fluctuates strongly, increasing consistency can be observed in the US in the years before

2022. Additionally, the variation in capital raised in Switzerland in different years is much greater than in the US.

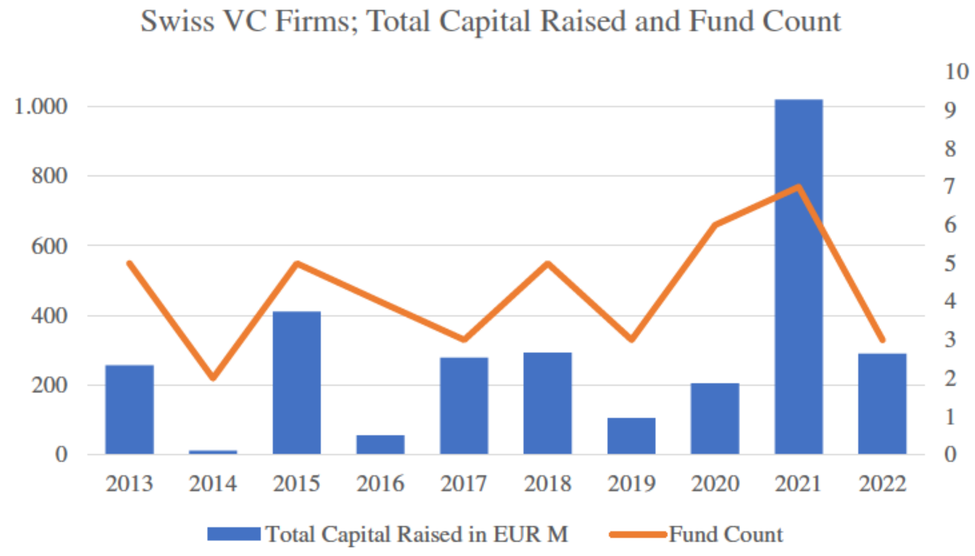

Figure 3: Swiss VC Firms; Total Capital Raised and Fund Count

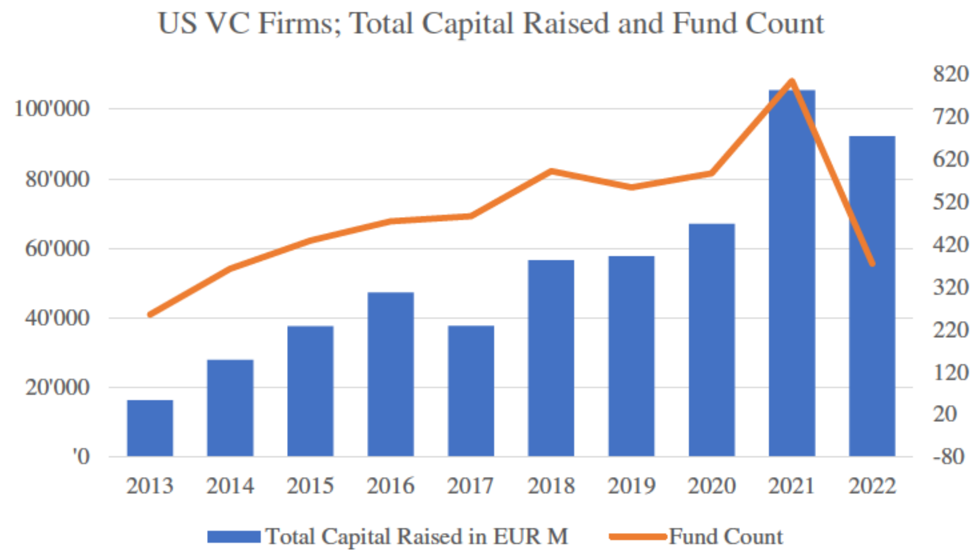

Figure 4: US VC Firms; Total Capital Raised and Fund Count

Moreover, another interesting aspect of the two markets is the industries that receive VC funding. The two figures below illustrate the differences in industries, based on transactions between 2012 and 2022.[3]

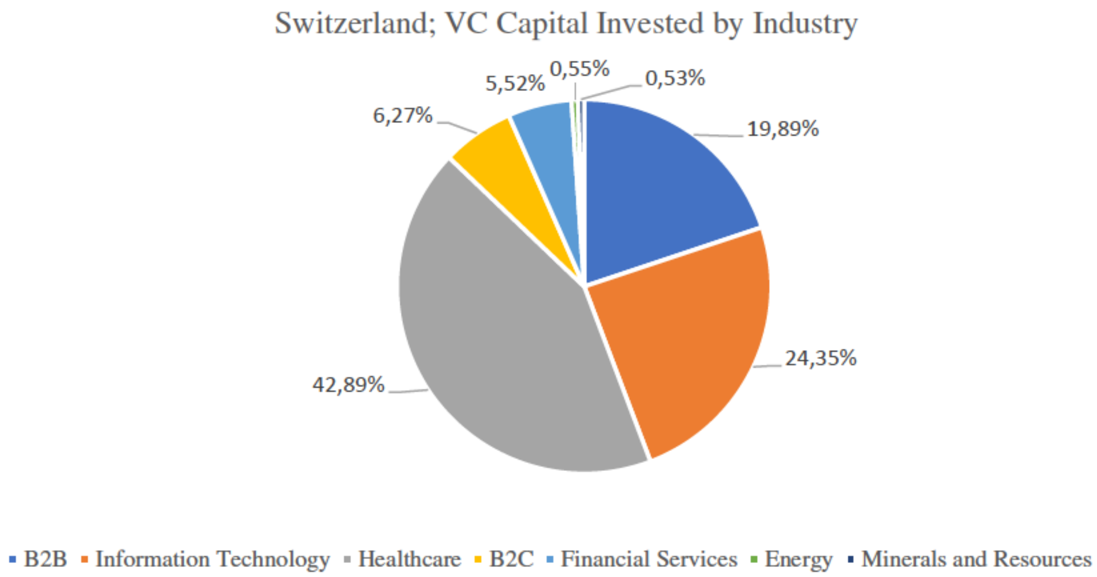

Figure 5: Switzerland; VC Capital Invested by Industry

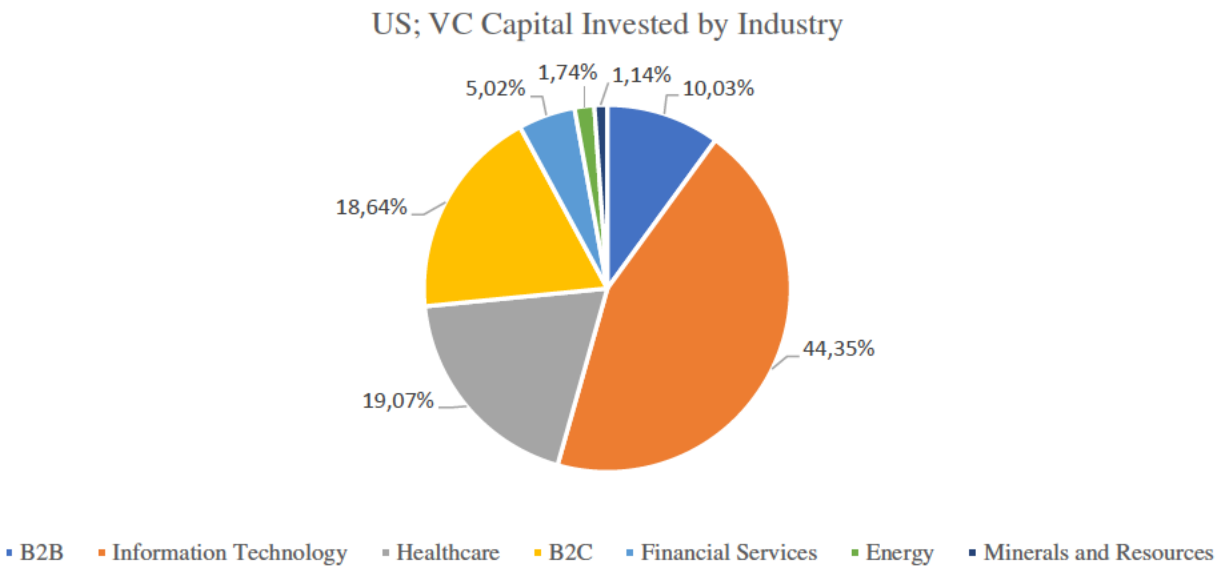

Figure 6: US; VC Capital Invested by Industry

The data indicates that the two industries that received the most attention from VC firms were information technology and healthcare. Both industries combined received approximately two-thirds of the capital in both Switzerland and the US. In the US,

[3] Source: PitchBook Data, (2023, May 3) https://pitchbook.com/

however, information technology was the largest industry and healthcare the second largest, while in Switzerland it was the other way around.

In addition to the comparison of VC funding, researchers have noted that there is a net inflow of risk capital in Switzerland. This means that the inflow of risk capital from abroad exceeds the outflow of domestic risk capital to other countries (SECO, 2012, p. 21).

Having examined the flows of VC funding and the innovative strengths of the two countries, we now turn to a specific similarity between the two countries. In the US, practitioners found that there is a concentration of venture capitalists to three metropolitan areas, namely Boston, San Francisco, and New York. These three metropolitan areas not only have the highest concentration of VC firms, but also receive two-thirds of the VC funds committed (Lerner & Nanda, 2020, p. 249). This shows that venture capitalists tend to set up their businesses in close proximity to thriving start-up communities. This phenomenon is observed in Switzerland as well. A vibrant and increasingly mature VC community was found around Zurich, Geneva/Waadt, and Basel (Gantenbein et al., 2011, pp. 10, 18). In addition, the authors found a characteristic distribution of industries within these three geographical clusters. While Zurich encompasses a largely equal distribution of the three main industries (life sciences, business and industrial products and services, and ICT), both Basel and Geneva/Waadt are dominated by life sciences.

When analyzing the VC market in Switzerland compared to the US, one can identify notable differences. While the US VC market is well known to be largely established, the Swiss VC ecosystem is still in the development phase (Sieber, 2009, p. 47). Sieber has explained that, besides the relatively small size of the Siss market, one of the greatest challenges of the Swiss economy is the social attitude towards business creation. There appears to be a lack of willingness to take risks because of the great earning potential of salaried positions. This leads to an insufficient deal flow in Switzerland, which may have negative implications for the supply side of venture capital. This dampening effect was also identified by a report of the Swiss State Secretariat of Economic Affairs (SECO, 2012, p. 17), which stated that, relative to the

US, Switzerland demonstrates a considerably more conservative attitude towards risk-taking in business.

Nevertheless, Switzerland is an innovation leader and demonstrates signs of development; since 2015, a strong increase in VC expenditures has been noted (Hollanders et al., 2022, p. 83). The development of the VC and start-up ecosystem is especially important for resource-poor economies and their prospects for economic growth (Gantenbein et al., 2011, p. 17). For this reason, the Swiss government supports various programs to strengthen start-ups and the whole ecosystem surrounding them. One of these initiatives is Innosuisse, a public-law corporation funded by the state and based on the Federal Act on the Swiss Agency for Innovation Promotion (SAFIG). Innosuisse has been tasked with the promotion of science-based innovation and entrepreneurship in the interest of the economy and society. Specifically, this organization financially supports innovation projects, stimulates networking between science and the market, and organizes start-up training and coaching sessions. For revolutionary start-ups, this can be especially interesting, since Innosuisse is able to support the realization of projects even before market entry.

Another program for promising start-ups that enjoys state attention is the Technology Fund. Swiss companies launching innovative products that can lead to a sustainable decrease in greenhouse gas emissions, the efficient use of electrical and renewable energy, and the conservation of natural resources can receive loan guarantees from the Technology Fund. The Technology Fund is backed by the Swiss government through the Federal Office for the Environment (BAFU). This Technology Fund is managed by Emerald Technology Ventures, a reputable VC firm in Switzerland. Thus, even though it is a state-owned vehicle, it is deeply embedded within the VC community of Switzerland.

The above-outlined regional focus of this study is one of its main limitations. By focusing only on the VC markets of the US and Switzerland, our findings may not be generalizable to other regions or countries. Factors such as cultural differences, economic conditions, and social norms may vary and therefore might result in different findings.

6. State of Knowledge

The state of knowledge serves as status quo and provides a basis for comparisons with the Swiss VC industry. In particular, it targets research conducted in the US to study the situation in the market, from which VC business originated (Andrieu, 2013, p. 234).

6.1. How Venture Capitalists Conduct Business

Over the years, various empirical investigations have characterized the VC investment procedures as comprising various distinct stages. Noteworthy and frequently cited papers – papers that combined and expanded on numerous early works – subdivided the process of how VC firms conduct business from the initiation of a venture capital fund to ultimately fulfilling the obligation of returning invested capital to the respective investors into the following steps (Fried & Hisrich, 1994, pp. 30–32; Tyebjee & Bruno, 1984, pp. 1052–1054):

Figure 7: Overview VC Phases[4]

Although there may be some variation in the terminology used, the VC process can be described as consisting of the phases outlined above. It is precisely these three business processes that are the focus of this literature review.

6.2. Deal Flow Generation and Selection

The VC market in the US tends to be highly competitive, and therefore most venture capitalists seek to create a competitive advantage by specializing in an industry and/or stage of investment (Caselli & Negri, 2021, pp. 66–67). Moreover, VC firms typically play a crucial role in industries in which informational concerns are inevitable (biotech and software development rather than a butcher, for example; Amit et al., 1998, p. 452).Thus, most VC firms tend to focus their recruitment strategy and search on employees who hold scientific degrees (Block et al., 2019, pp. 338–339). Consequently, VC firms typically perform their technical due diligence in-house (Berglund, 2011, p.

[4] (Fried & Hisrich, 1994, pp. 30–32; Tyebjee & Bruno, 1984, pp. 1052–1054)

133). The scientific backgrounds are also beneficial in terms of generating a potential deal flow. Berglund (2011, p. 140) also states that employees who hold scientific degrees usually benefit from an existing network on a technical level – for example research laboratories.

In addition, Berglund (2011, p. 132) describes another tool that is used to increase the number of potential candidates, namely the due diligence process that includes a competition analysis. Another subarea of research points out that personal referrals are the channel through which most VC deals materialize (Bruton et al., 2005, pp. 744–745). The referral process of deal flow generation tends to lower risk, as the referrer typically wants to maintain their relationship to the referral receiver/venture capitalist (Fried & Hisrich, 1994, pp. 32–35). Furthermore, start-ups often approach VC firms and present them with well-structured business proposals. Venture capitalists are selected by young companies based on industry specialization or the investment history of VC firms (Caselli & Negri, 2021, pp. 66–67).

Another stream of research found that early-stage VC firms generally select industries based on the preferences of their larger late-stage VC peers. The reason is that early-stage VC firms usually do not have enough capital to finance start-ups in further rounds until they go public. Hence, the preferences of large late-stage VC firms can significantly influence deal generation and selection (Lerner & Nanda, 2020, p. 249).

Subsequently, the next phase begins, often referred to as the due diligence and selection process. Researchers have found that an essential, if not the most important, element in the selection of start-ups by venture capitalists in the US is the founding team (Bernstein et al., 2017, p. 536). Berglund (2011, pp. 129–130) added that adverse chemistry between the two parties might even ruin a deal. Therefore, building a bond in the sense of a well-functioning working relationship during the due diligence process is decisive.

In addition, high innovative output in terms of a start-up's number of patent applications and top-qualified management executives is rewarded by a greater chance of funding by VC firms (Engel & Keilbach, 2007, pp. 165–166). Next to patent applications to increase the likelihood of being eligible for funding, the VC community tends to respond strongly to government grants, that provide evidence of specific know-how and demonstrate that a company has the potential to transition through the various life-cycle stages (Islam et al., 2018, pp. 48–49). In Switzerland, for instance, government-backed loan guarantees provided by the Technology Fund for start-ups are usually attractive for VC firms because they increase funding without any dilution and thus enhance the return on equity.

In analyzing the selection process of VC firms, local proximity to start-ups emerged as an important element. This allows for the facilitation of monitoring and increases value adding activities that eventually result in increased performance of portfolio firms (Bernstein et al., 2016, pp. 1619–1620). A US-focused study also found that VC firms tend to demonstrate strong local bias, and that specialization in industries and/or stages amplifies this effect (Cumming and Dai, 2010, pp. 363–369, 378). Cumming and Dai found a further variable for this effect, namely whether the VC operates as a lead or sole investor.

In general, the more reputable and experienced a VC firm is, the less local focus it will have. Specialization proves to be an important factor in terms of selection, because specialized VC firms have greater knowledge management. This development of specific expertise regarding an industry and/or development stage reduces the uncertainty associated with their investments (De Clercq & Manigart, 2007, pp. 19–20). This reduction in uncertainty may enable VC firms in the US to invest very early on. Basically, this high level of technical sophistication of the VC firm itself means investments can be made in very advanced technologies (Berglund, 2011, pp. 128–129). A perfect example is the high-tech industry, which is characterized by high levels of informational symmetry. Having that level of knowledge management proves advantageous, as it tends to increase efficiency during the evaluation phase (Amit et al., 1998, p. 452). A study by De Clerq has also highlighted other advantages of specialization, notably that VC firms are better able to identify potential management incompetence, misconduct or other vital information about the target company's profile that it may be trying to hide (De Clerq, 2003, pp. 58–60). Thus, venture capitalists might be more efficient in determining and allocating suitable resources.

Berglund (2011, p. 131) concluded after several interviews with US VC firms that they have a very proactive and constructive approach to selection and evaluation. Typically, as part of the selection process, US VC firms experiment with the business model and business ideas of target companies. Hence, entrepreneurs tend to walk away from the selection process with a sense of emboldened despite the lack of funding.

6.3. Venture Capital Post-Investment

Looking at the VC process, it is clear that the period post-investment is often the longest and therefore usually the most crucial one. On average, the holding period of a portfolio company by venture capitalists in the US is 4.75 years (D. J. Cumming & MacIntosh, 2001, p. 456). Hence, VC involvement and post-investment value creation are what venture capitalists are most extensively involved in.

However, depending on the experience, context, and style of the relevant VC firm, value creation and post-investment involvement with the portfolio company can mean very different things (Berglund, 2011, pp. 122–123). This fact leads to compelling comparisons between US and European VC firms. Since researchers agree that US VC firms are more experienced and demonstrate, on average, higher performance figures, and that the European VC market originated in the US, one would assume that the post-investment behavior is similar, if not identical (Andrieu, 2013, p. 234; Dimov & Shepherd, 2005; Lerner et al., 2011, pp. 3–8).

Yet, in addition to funding the portfolio company, strategic engagement occurs much more in the US than in Europe (Bruton et al., 2005, pp. 745–747). Another stream of research agrees, noting that while European VC firms are both operationally and strategically active, this is not to the same extent as their American counterparts (Proksch et al., 2018, p. 54). Other practitioners describe European VC firms as more hands-off, as they mainly aim to identify good start-ups, negotiate advantageous investment conditions, and then arrange a profitable exit (Berglund, 2011, pp. 122–123). Moreover, Schwienbacher (2008b, pp. 212–213) has gone even further by stating that the hands-off approach and lack of involvement of European VC firms are responsible for, in general, lower returns as well as fewer IPOs.

The reason for the difference in engagement of VC firms with their respective portfolio companies between the US and Europe was found to be the employees of VC firms and their individual backgrounds. Most VC executives in Europe are mainly financially oriented, as they often have banking backgrounds with little experience in venture building (Sapienza et al., 1996, pp. 462–463). Consequently, European venture capitalists might place more weight on the fundamental choice of the right target company, while US venture capitalists are likely better builders of start-ups. Sapienza et al. (1996, pp. 440–441) confirm this theory by adding that US VC firms add the most value and are most engaged with their portfolio ventures, as they have more employees with portfolio company backgrounds (i.e., ex-CEOs). Moreover, Sapienza et al. (1994, p. 14) noticed that venture capitalists in the US exhibit greater engagement with the most successful start-ups than with low-performing ventures. Furthermore, the authors add that experience in the VC industry demonstrates a positive relationship with adding value to target ventures (Sapienza et al., 1996, pp. 440–441). Thus, the more developed a VC market, the greater the personal engagement (Sapienza et al., 1996, pp. 461–464).

Another study found that the engagement of VC firms has a positive relationship with the performance of the underlying target company. The authors tested the hypothesis that if performance were merely related to selection, then the reduction of engagement and monitoring costs would have no impact. However, the findings demonstrate an effect, thereby confirming that the value-adding of VC firms is crucial (Bernstein et al., 2016, pp. 1619–1620). Furthermore, as mentioned earlier, researchers have pointed out that closer proximity and greater face-to-face involvement with portfolio companies increase the number of patent applications and the probability of an IPO or trade sale. Thus, VC involvement is a vital determinant of success and innovation (Bernstein et al., 2016, p. 1592).

To further test the value creation of VC firms, Engel and Keilbach (2007, p. 166) approached this topic from a different angle. They analyzed VC funded and non-funded ventures and concluded that VC backed companies demonstrate substantially higher growth rates than the other sample. In addition, other practitioners observed that the time to market for products or services is drastically reduced when VC firms are involved (Hellmann & Puri, 2000, pp. 980–981). Finally, another benefit of active value-adding is that VC firms that perform a highly constructive role may attract higher quality start-ups (Timmons & Bygrave, 1986, p. 161).

After the above review of the literature regarding the differences between Europe and America, as well as the potential of value-adding activities, the following question arises: What do venture VC firms in the US do post-investment? According to Engel and Keilbach (2007, p. 166) US VC firms grant their venture portfolios access to a distinct network, as well as business partners, and thus to a larger number of possible marketing and sales channels. Additionally, VC firms assist with product or service market positioning (Hellmann & Puri, 2000, pp. 980–981). Another stream of research identified that VC firms go beyond providing top-level advice and professionalize start-ups in topics such as adoption of stock option plans, hiring, strategy formulation, human resource policies, and communication skills (Hellmann & Puri, 2002, pp. 194–195). Moreover, the fact that VC firms engage even in day-to-day operational issues was confirmed by Timmons and Bygrave (1986, p. 161), who found that VC firms convey credibility in the selection of key management team members and in contracts with suppliers and clients, in addition to helping shape strategy.

Deep insights into the value creation of US VC firms were gained by Berglund (2011, pp. 137–142) after conducting interviews with venture capitalists. He concluded that US VC firms tend to assume a partner role, which can be compared to an almost co-entrepreneurial approach and described as a collegial relationship. An example of the extent of involvement was displayed by referencing a scenario in which the venture capitalist organized a lease contract for start-ups and was therefore present for day-to-day operations. The reason why venture capital firms are able to perform such tasks and provide value at the operational level is because they recruit staff with strong operational experience and an entrepreneurial background. Frequently, venture capitalists are themselves former CEOs and entrepreneurs and have experienced paths and stages similar to those of the portfolio companies (Berglund, 2011, pp. 134–135); especially since rapid growth requires constant improvement of the corporate structure.

6.4. Exit from Portfolio Companies

Depending on the lifetime of the underlying VC fund and market conditions, the exit phase is where venture capitalists earn money. The exit represents the opportunity to reap the value created and is considered the ultimate destination for creating a profitable business (Pisoni & Onetti, 2018, p. 32). Optimally, VC firms sell the shares of their portfolio companies after they have gone public. Observing the exit market in Switzerland for Swiss-focused VC firms, it appears that Swiss venture capitalists encounter challenges with regard to both effectively exiting their deals and providing the required value-added services to manage their investments (Hopp, 2007, p. 240).

However, start-ups that exhibit a high degree of information asymmetry are not always the best solution for an IPO, since most regular investors are uninformed (Amit et al., 1998, p. 453). The authors demonstrate that such start-ups are rather sold to informed strategic investors, such as corporations acting in the same industry, via a trade sale. In most cases, therefore, the exit from a start-up usually takes place through the sale of the company and not through an IPO. Lemley and McCreary (2019, p. 1) have confirmed that portfolio companies go public increasingly less often and that most of them merge with an existing company when it comes to exiting. Strategic buyers are often dominant companies that are already present in the market in question and absorb the innovative power that the portfolio company has created (Lemley and McCreary, 2019, p. 1).

Interestingly, the same findings have been made in the US and in Europe in terms of the local bias of trade sales. Practitioners have found that acquisitions or trade sales preferentially take place in close proximity of the party purchasing the portfolio company of a VC firm (Pisoni & Onetti, 2018, p. 32). Young companies should therefore consider a location close to potential acquirers with a view to maximizing their exit chances.

Since VC funds usually have a limited lifespan, it is crucial for venture capitalists to retain certain control rights to influence the choice and timing of a possible exit (Schwienbacher, 2008a, pp. 1910–1911). The limited lifespan of a VC fund represents a conflict that is often described in the literature as exit pressure. This exit pressure increases the risk of low-value mergers, acquisitions, or even liquidations, despite the presence of quality signals (Yao & O’Neill, 2022, p. 2845). The authors presented independent directors as a solution to the crucial puzzle of balancing the interests of venture capitalists and entrepreneurs on the board of directors. Another example given by these authors was the offering of open-ended funds instead of time-limited funds. They found that Sequoia Capital, one of the largest VC firms in the US, makes use of this solution.

Furthermore, it appears that US venture capitalists enjoy valuable connections and personal relationships with the industrial purchaser community in order to be close to possible exit scenarios. The venture capitalists know from the beginning of the investment period in which direction they need to shape the portfolio companies to make them attractive to potential buyers (Berglund, 2011, pp. 138–140). Additionally, Research has revealed that when there is a significant difference in information between sellers and buyers, a partial exit is more likely to indicate the level of quality involved (D. J. Cumming & MacIntosh, 2003, p. 544).

7. Quantitative Analysis

The goal of this chapter is to present numerical results and analysis to answer H1 and H2, and to provide, in addition to the qualitative research, another element from a different perspective to answer the research question. To that end, the purposively selected VC firms are introduced. Subsequently, the VC firms that were selected are analyzed in terms of stage specialization and ranked to identify differences between the US and Switzerland. In addition, the horizon is expanded, and the number of deals and the amounts invested are examined over a 10-year period, and a comparison is made between US-based and Swiss-based VC firms with a view to identifying trends. The next section of this chapter examines the backgrounds of venture capitalists in Switzerland and the US to identify differences and similarities. This may provide relevant answers to deal flow generation and selection as well as post-investment involvement. The last section summarizes the findings.

7.1. Stage-Specific versus Stage-Generalist

This section aims to analyze the VC firms in terms of stage specialization. It addresses the question of whether Swiss-based VC firms are more stage specialists or stage generalists when compared to US-based venture capitalists. In order to address this question, a ranking is produced that includes all investments made by the selected VC firms and attempts to identify trends as the development over time is taken into account.

7.1.1. Introduction of US VC Firms and Swiss VC Firms of Scope

As outlined in the methodology chapter, the focus is on VC firms that have demonstrated a track record and are well known. The VC firms referred to below were selected based on following criteria:

- Age of VC firm

- AUM
- Number of VC funds

In order to take into account the factor of change over time, the aim was to select VC firms that have many years of experience and have already launched several funds. Since Swiss-based VC firms do not always have multiple funds, the number of investments was used to either include or exclude the VC firm in the selection below.

7.1.2. VC Firms Representing the US

The US VC market contains well-known VC firms, and it is rather easy to identify them. One reason for this seems to be that, even though it is a private market, data on large VC firms tend to be more accessible. The following five VC firms that fulfill and distinguish themselves from others in regard to the criteria outlined above were selected for this paper:

- Sequoia Capital Operations LLC; headquarters: California
- Accel Partner Management, LLP; headquarters: California
- AH Capital Management LLC (Andreessen Horowtiz); headquarters: California
- Bessemer Venture Partners; headquarters: California
- Greylock Partners; headquarters: California

7.1.3. VC Firms Representing Switzerland

Sounding the market according to the criteria above was more difficult in the case of Switzerland. However, with the help of PitchBook[5], the following five suitable Swiss-based VCs were found to meet the requirements:

- Redalpine Venture Partners AG; headquarters: Zurich (ZH)
- Endeavour Vision SA; headquarters: Geneva (GE)
- Lakestar Advisor GmbH; headquarters: Zurich (ZH)
- VI Partners AG; headquarters: Schwyz (SZ)
- Verve Capital Partners AG; headquarters: Zurich (ZH)

[5] Source: PitchBook Data, (2023, May 3) https://pitchbook.com/

7.1.4. Table of Comparison

The table below presents an overview that indicates clear differences between the various companies in terms of years of experience and AUM. Both figures, AUM and number of VC funds, are as at May 2023[6].

	Year of Foundation	AUM	Number of Funds
Sequoia Capital Operations LLC	1972	EUR 77.39B	49
Accel Partner Management, LLP	1983	N/A	33
AH Capital Management LLC	2009	EUR 31.87B	30
Bessemer Venture Partners	1911	EUR 18.20B	22
Greylock Partners	1965	N/A	10
Redalpine Venture Partners AG	2007	EUR 1.01B	6
Endeavour Vision SA	2000	N/A	3
Lakestar Advisor GmbH	2012	EUR 1.50B	4
VI Partners AG	2001	N/A	2
Verve Capital Partners AG	2010	EUR 0.283B	1

Table 3: Comparison US VC Firms versus Swiss VC Firms in Figures

7.1.5. Methodology Ranking

To rank VC firms by their investments, the approach outlined in PitchBook – PitchBook Data, (2023, May 3) https://pitchbook.com/ – was adopted. This involved first calculating a deal type score for each firm using the following formula:

[6] Source: PitchBook Data, (2023, May 3) https://pitchbook.com/

$$\textit{Deal Type Score} = \sum_{i=1}^{n} \left[\left(\frac{deal\ count_i}{deal\ count_{total}} \right) \times\ 100 \right]^2,$$

for deal type i, where n is the # of distinct deal types

The distinct deal types describe the stage of investment. For the purpose of this work, three deal types are distinguished: seed, early-stage, and later stage. The deal type score provides a measure of how homogeneously a firm has invested in each deal type. Furthermore, the squaring helps the ranking create an impurity index. Basically, the higher the number of calculations, the further apart the numbers of the individual deal types. Conversely, the lower the number of the calculation, the closer the three numbers of the respective deal type are together. In very simplified terms, a high deal type score indicates that a firm preferred investing in specific deal types, while a low score suggests that a firm invested equally across all deal types. After applying the formula described above, the deal type score was standardized based on the population to which a VC company belonged. The population for this paper consists of 10 VC firms as presented above. The firms were ranked using the following percentile ranking:

$$\textit{Deal Type Score}_{std} = \frac{\#\ of\ VCs\ in\ the\ population \leq Deal\ type\ score}{\#\ of\ VCs\ in\ the\ population}$$

A firm's rank is referred to as its standardized deal type score. A low standardized deal type score indicates that a firm followed a generalist investment strategy compared to the full population of VC firms. Conversely, a high score suggests that a firm is specialized in a particular deal type. The main limitation identified is that the population is rather small.

7.1.6. Data on Ranking Stage-Specialists versus Stage-Generalists

This section places the 10 VC firms mentioned above on an axis and identifies whether they are rather stage-specialists or stage-generalists. Furthermore, the evolution over time was analyzed by comparing the deals made overall with the deals made in the past five years. This made it possible to identify a potential move on the axis towards either more stage specialist or generalist. For this purpose, each deal of the VC firm was analyzed and classified into one of the following three categories[7]:

[7] Source: PitchBook Data, (2023, May 3) https://pitchbook.com/

- Seed
- Early-Stage (series A and B)
- Later-Stage (series C, D or later)

VC Name	Stage	All Years	Non-std. Score	Past Five Years	Non-std. Score
Sequoia Capital Operations LLC	Seed	257	3,983	180	3,436
	Early-Stage	936		259	
	Later-Stage	784		276	
Accel Partner Management, LLP	Seed	294	3,961	161	3,655
	Early-Stage	1,017		284	
	Later Stage	965		365	
AH Capital Management LLC	Seed	385	3,579	182	3,580
	Early-Stage	705		367	
	Later Stage	445		285	
Bessemer Venture Partners	Seed	170	4,109	89	3,868
	Early-Stage	743		172	
	Later Stage	667		259	
Greylock Partners	Seed	166	4,196	45	3,604
	Early-Stage	556		93	
	Later Stage	259		68	
Redalpine Venture Partners AG	Seed	44	4,007	24	3,613
	Early-Stage	85		45	
	Later Stage	29		27	
Endeavour Vision SA	Seed	0	5,056	0	8,025
	Early-Stage	55		3	
	Later Stage	68		24	
Lakestar Advisor GmbH	Seed	46	3,478	32	3,389
	Early-Stage	79		44	
	Later Stage	59		40	
VI Partners AG	Seed	11	4,182	5	4,395

	Early-Stage	53		8	
	Later Stage	51		19	
Verve Capital Partners AG	Seed	57	3,478	39	3,642
	Early-Stage	70		40	
	Later Stage	94		72	

Table 4: Overview Stage Investments by VC Firm

7.1.7. Result Ranking Stage-Specialists versus Stage-Generalists

Based on the calculations described in Section 7.1.5. the result is displayed below. The light grey shaded fields represent US-domiciled venture capitalists, so it is easier differentiating between US and Swiss-based VC firms. Furthermore, it allows the result to emerge more clearly.

Name of VC	**Std. Deal Type Score: All Years**	**Name of VC**	**Std. Deal Type Score: Past 5 Years**
Stage Specialist		*Stage Specialist*	
Endeavour Vision	1	Endeavour Vision	1
Greylock Partners	0.9	VI Partners	0.9
VI Partners	0.8	Bessemer Venture Partners	0.8
Bessemer Venture Partners	0.7	Accel Partner Management	0.7
Redalpine Venture Partners	0.6	Verve Capital Partners	0.6
Sequoia Capital	0.5	Redalpine Venture Partners	0.5
Accel Partner Management	0.4	Greylock Partners	0.4
AH Capital Management	0.3	AH Capital Management	0.3
Lakestar Advisor	0.2	Sequoia Capital	0.2
Verve Capital Partners	0.1	Lakestar Advisor	0.1
Stage Generalist		*Stage Generalist*	

Table 5: Result Stage Specialists versus Stage Generalists Ranking

First, it is significant that both the top stage specialist and the top stage generalist are VC firms from Switzerland. This is the case in both rankings, overall and in the past five years. Furthermore, looking at all years, two out of the top three stage-specialists are from Switzerland. Additionally, two of the top three stage-generalists are from

Switzerland. This leads to the assumption that Swiss VC firms are more differentiated and are either stage-specialists or stage-generalists, while American VC firms are somewhere in the middle. VC firms in the middle tend to place value on two categories and slightly neglect the third deal type.

An examination of the difference between all years and the past five years revels, that American VC firms tend to move in either a more stage-specialist or stage-generalist direction. This means that there is a slight tendency to reposition relative to the population in a more significant direction, as the average position change for US-based VC firms between all years and the past five years is 2.4 positions. Conversely, the Swiss-based VC firms have merely moved 1.6 positions on average between all years and the past five years. For example, Greylock Partners moved from the stage-specialist side all the way to the stage-generalist side in the past five years. By contrast, Verve Capital Partners moved from the top-stage generalist side overall to the stage-specialist side in the past five years.

In conclusion, in overall terms, the US-based VC firms seem to be placed somewhere in the middle between stage-specialists and stage-generalists, while the Swiss-domiciled VC firms are on average either clearly positioned as stage-specialists or stage-generalists.

7.1.8. Result Non-Standardized Deal Type Score

Another perspective emerges when one examines the non-standardized deal type score. As the standard deal type score is merely a relative comparison, the absolute figures can provide additional findings. The non-standardized deal type score can shed light on how close the different ranks are and potentially support the discovery of trends.

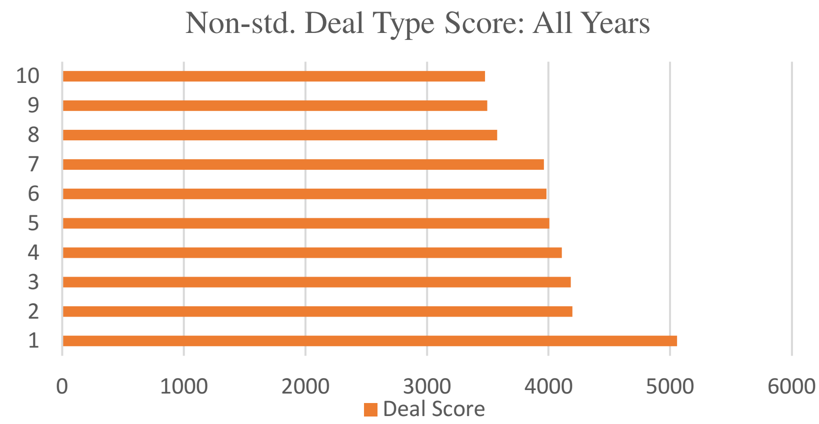

Figure 8: Non-std. Deal Type Score: All Years

An analysis of the above chart reveals three clusters: The lowest three (place 8 – 10), the highest (place 1), and all others. There are two Swiss-based VC firms in the lowest cluster. In addition, the one with the largest number by far is also a Swiss-domiciled VC firm. This finding supports the previously mentioned trend that the Swiss-based VC firms are outliers, or, in other words, are more clearly stage-specialists or stage-generalists.

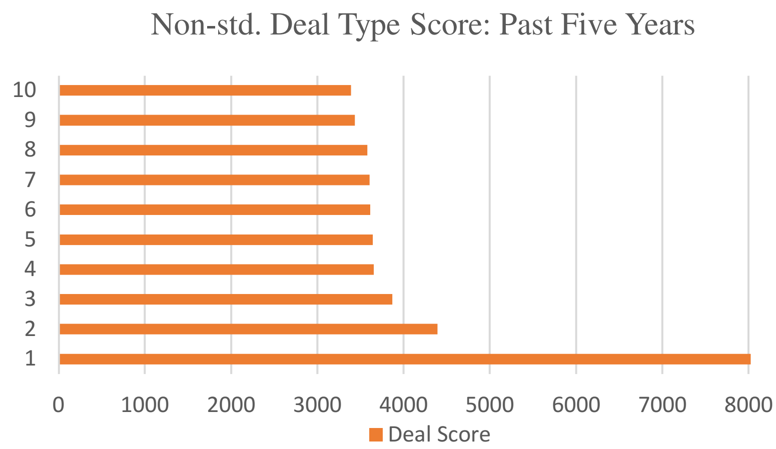

Figure 9: Non-std. Deal Type Score: Past Five Years

Moreover, another interesting tendency can be noted, namely the overall move towards generalization in the past five years. In the past five years, seven VC firms have had a deal type score of up to approximately 3,650. Across all years, only three VCs had a score below a deal type score of 3,650. This indicates a clear trend towards generalization.

In addition, the median deal type score for Swiss-based VC firms across all years is 4,007, while for US-based VC firms it is 3,983. This means that, on average, American VC firms tend to be more generalists, while Swiss VC firms tend to be more specialists in regard to the stage.

Taking the median deal type score per country in the past five years – 3,642 for Swiss-based VC firms and 3,605 for US-based VC firms – the drift goes in the same direction, namely towards stage-generalization. Additionally, there seems to be a clear trend towards greater stage generalization among US-based VC firms, with four out of five firms exhibiting a lower deal type score in the past five years than overall.

The median is preferred over the average because the population is small, and therefore outliers should not have an excessive influence.

7.2. Early versus Late-Stage Investments between US and Swiss VC Firms

Following the in-depth analysis of five VC firms for each market, the scope was extended to the entire market. The entire market means that in the tables below, all VC firms with headquarters in the US or in Switzerland are considered over a period of 10 years. The focal point lies on the activities between the different stages (seed, series A, series B, and series C) that are measured by the amount invested and number of deals. The aim is to determine which phases receive the most attention, whether there is a change over time, as well as differences or similarities between Switzerland and the US. Hence, this part targets H2 and tries to illuminate the hypothesis from an angle other than the in-depth analysis on 10 VC firms.

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	**Average**
Amount Invested in EUR M	4.52	4.35	9.12	10.98	8.94	57.04	42.74	57.27	87.58	187.60	47.01
Deal Count	5	8	14	13	11	43	29	40	65	67	29.5
Average Deal Size in EUR M	0.90	0.54	0.65	0.84	0.81	1.33	1,47	1.43	1.35	2.80	1.59

Table 6: Switzerland; Seed Stage

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Average
Amount Invested in EUR M	1,340	1,740	2,970	3,450	4,230	6,670	7,840	9,170	17,180	23,260	7,785
Deal Count	1,783	1,986	2,253	2,175	2,525	3,303	3,686	4,285	6,541	6,266	3,480.3
Average Deal Size in EUR M	0.75	0.88	1.32	1.59	1.68	2.02	2.13	2.14	2.63	3.71	2.24

Table 7: US; Seed Stage

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Average
Amount Invested in EUR M	12.42	15.97	12.69	17.77	23.35	83.93	220.40	239.45	211.01	169.97	100.70
Deal Count	10	9	9	6	9	18	22	27	28	24	16.2
Average Deal Size in EUR M	1.24	1.77	1.41	2.96	2.59	4.66	10.02	8.87	7.54	7.08	6.22

Table 8: Switzerland; Series A

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Average
Amount Invested in EUR M	6,320	8,270	13,380	13,940	17,070	23,140	29,010	32,630	58,600	55,540	25,790
Deal Count	1,391	1,601	1,811	1,761	1,939	2,185	2,329	2,394	3,684	3,098	2,219.3
Average Deal Size in EUR M	4.54	5.17	7.39	7.92	8.80	10.59	12.46	13.63	15.91	17.93	11.62

Table 9: US; Series A

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Average
Amount Invested in EUR M	41.16	7.57	61.25	35.20	11.17	61.01	103.87	73.79	106.56	236.26	73.78
Deal Count	4	3	3	4	3	5	9	8	7	10	5.6
Average Deal Size in EUR M	10.29	2.52	20.42	8.80	3.72	12.20	11.54	9.22	15.22	23.63	13.18

Table 10: Switzerland; Series B

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Average
Amount Invested in EUR M	6,540	10,620	16,530	13,160	19,360	23,180	31,190	33,490	76,560	59,170	28,980
Deal Count	659	788	842	767	905	1,040	1,108	1,146	1,828	1,400	1,048.3
Average Deal Size in EUR M	9.92	13.48	19.63	17.16	21.39	22.29	28.15	29.22	41.88	42.26	27.64

Table 11: US; Series B

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Average
Amount Invested in EUR M	20.29	0.48	118.91	10.58	12.39	17.13	11.16	35.86	131.02	243.87	60.17
Deal Count	1	1	2	1	2	1	2	3	5	4	2.2
Average Deal Size in EUR M	20.29	0.48	59.46	10.58	6.20	17.13	5.58	11.95	26.20	60.97	27.35

Table 12: Switzerland; Series C

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Average
Amount Invested in EUR M	5,130	9,340	13,380	14,670	13,100	35,090	22,050	30,870	71,650	45,060	26,034
Deal Count	338	425	438	407	714	505	540	554	894	597	541.2
Average Deal Size in EUR M	15.18	21.98	30.55	36.04	18.35	69.49	40.83	55.72	80.15	75.48	48.10

Table 13: US; Series C

The data displayed above originates from PitchBook (PitchBook Data, 2023, May 3, https://pitchbook.com/), and the respective charts can be found in the appendix.

A number of interesting conclusions can be drawn from an analysis of the data presented above. First, on average over a 10-year period, the deal size in EUR million (M) is greater – almost double – in the US than in Switzerland. This is true for all four stages in scope (seed, series A, series B, and series C). Interestingly, this finding goes hand in hand with research conducted between 1995 and 2010 that states that, on average, the deals are almost double in size in the US compared to Europe (Filipe Silva & Karen E Wilson, 2013, pp. 11–12). Second, a chart can be created indicating which phase receives the most attention on average over a 10-year period in either number of deals or amount invested:

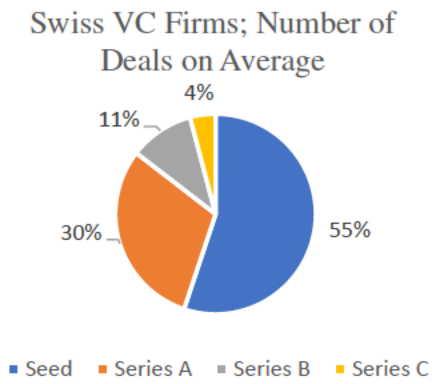

Figure 10: Swiss VC Firms; Number of Deals on Average

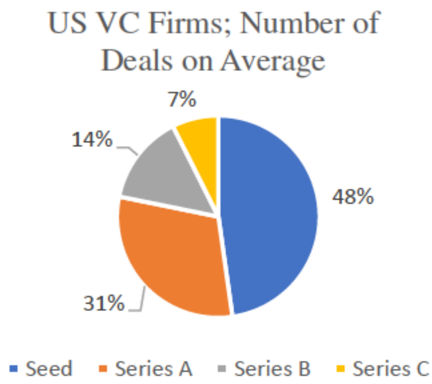

Figure 11: US VC Firms; Number of Deals on Average

The above figures indicate that there is a noticeable difference between Switzerland and the US. The seed and series A phases together account for 85% of deals by Swiss VC firms, while it is only 79% for deals by US-based VC firms. In other words, for Swiss-based VC firms, the ratio is 85% early-stage investments and 15% later-stage investments, compared to 79% early-stage investments and 21% later-stage investments for US-based VC firms. This demonstrates that, Switzerland is slightly more active than the US in the early-stage phases, while the US seems to be stronger in later-stage investments.

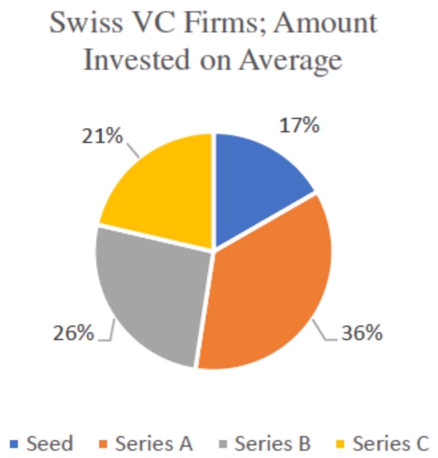

Figure 12: Swiss VC Firms; Amount Invested on Average

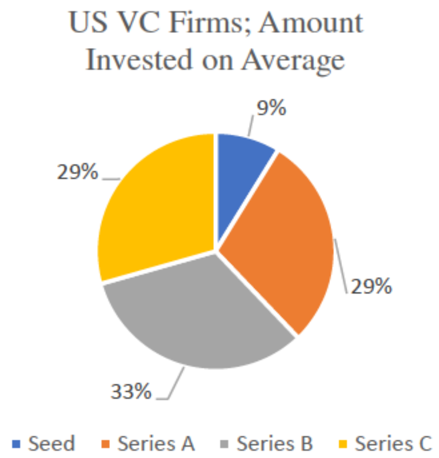

Figure 13: US VC Firms; Amount Invested on Average

The fact that Swiss VC firms are strong in the early investment phases also becomes clear when one examines the average investment amount per phase. It is widely known that later-stage financing rounds are usually higher investments in terms of the amount invested than early-stage investments. However, VC firms in Switzerland invest 53% of the amounts in either seed or series A, while US-based VC firms invest only 38% in these stages. This demonstrates that VC firms with headquarters in the US invest significantly more in later-stages than Swiss-based VC firms.

An additional calculation is required in order to capture the change over time. For this purpose, the data on Swiss-based VC firms were analyzed separately from the data on US-based VC firms. For each year, the different phases (seed, series A, series B, and series C) were cumulated for the average transaction volume in EUR M and considered 100%. The advantage of the figure 'average transaction volume in EUR M' is that it includes both variables – the number of deals and volume invested. Subsequently, each phase was expressed as a percentage of the total year.

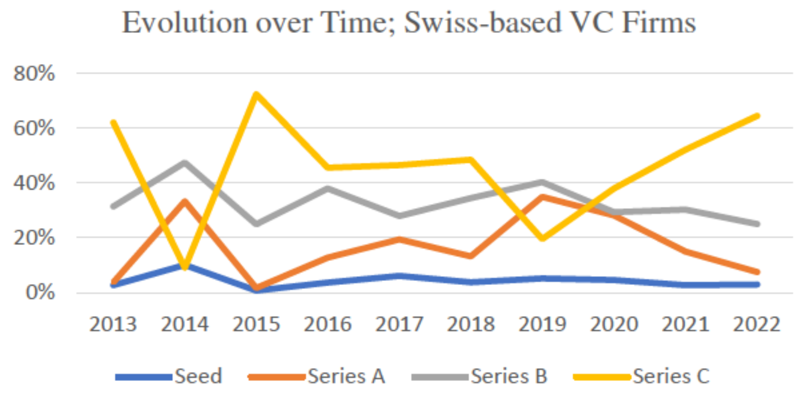

Figure 14: Evolution over Time; Swiss-based VC Firms

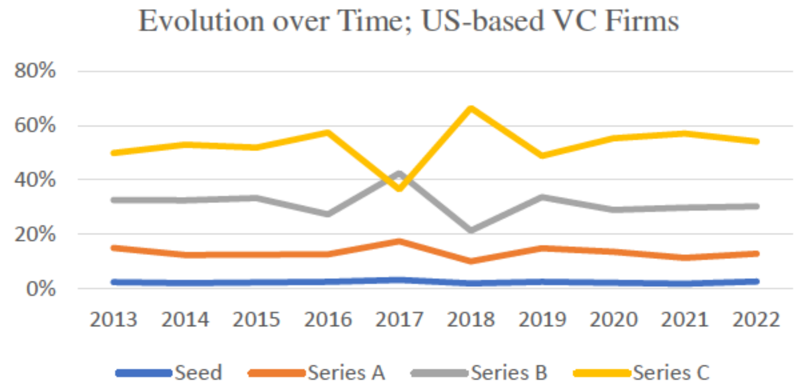

Figure 15: Evolution over Time; US-based VC Firms

It seems that for US-based VC firms, each stage remains, on average, at the same level. The different phases hardly overlap, and each phase exhibits stable behavior over time. This is not the case for Swiss-based VC firms. The fluctuations in both series A and series C are much greater. It was only in the last two years (2021 and 2022) that a slightly similar picture emerged. The two charts indicate that US-based venture capitalists appear to be very robust in their investment behavior over time, even for later-stage investments. Swiss-based VC firms could not demonstrate the same level of robustness, especially for series C.

Although the data span a 10-year period and include data points from 9,051 funds from US-domiciled VCs and 74 funds from Swiss-based VCs, certain limitations should be noted. First, the VC industry is highly cyclical (Lerner, 2002, pp. 37–38). Second, the definition of each financing round (seed, series A, series B, and series C) tends to vary from start-up to start-up. This means that potentially not every start-up conducting a series A investment round, for example, is at the same stage of its life cycle. Finally, it should be borne in mind that far more data are available on US-based VC firms than on Swiss-based VC firms. As a result, the behavior of one VC firm based in Switzerland has a greater effect on the figures shown above than US-based VC firms.

7.3. Qualification Profiles of Venture Capital Employees

This part of the research compares the profiles of venture capitalists in the US and Switzerland. Therefore, this section focuses specifically on the following hypothesis:

H1: *"The employees of venture capital firms in America, on average, hold more scientific degrees than their colleagues in the venture capital market in Switzerland".*

As the literature review has demonstrated, US-based VC firms tend to create value partly due to the fact that they employ people who have science degrees and/or have experience with portfolio companies (Berglund, 2011, pp. 134–137; Sapienza et al., 1996, pp. 462–464). Experience with portfolio companies means that they have either founded their own company, managed a company as CEO or managing director, or engaged in a similar senior manager position. An analysis of the backgrounds of Swiss-based VC firms employees compared to US-based VC firms therefore has the potential to provide new insights for deal flow generation and selection, and post-investment involvement activities as well as to contribute to the Swiss VC industry.

7.3.1. Approach of Analysis

In order to create a database, the online presence of Swiss and US-based VC firms is consulted. Since VC firms act as investment firms that need to attract investors and build trust, it is common practice for them to introduce each team member with their background details and link them to their LinkedIn profile. Hence, it is possible to establish a database. About halfway through the data, it was discovered that the employees of VC firms can be categorized into following three distinct groups:

Group 1: Banking / Finance Background

Group 2: Natural Science and/or Mathematical Science Background

Group 3: Portfolio Company Experience

It is important to mention that one person can also be in two groups. For example, a founder of a biotech company who has a degree in natural science and now works for a

VC firm will be added to group 2 and 3. However, not all employees of a VC firm are included in the sample. The specific focus is on job titles such as analyst, partner, venture partner, investment manager, associate and not on junior positions, accounting manager, assistant, office administrator, general counsel, chief compliance officer, visiting analyst, intern, member of the board, chief financial officer, advisor and head of communications. The reason for this is the fact that the scope is limited to employees who interact with portfolio companies and are at the core of each VC firm. Thus, no random samples were chosen to conduct the analysis; rather, purposively selected samples were used. The purposive sampling method was also used to select the underlying VC firms in both countries. This made it possible for established VC firms with a track record and a good reputation to be represented in the sample.

7.3.2. Data Description

In total, the background and experience of 303 venture capitalists prior to their entry into a VC company were analyzed. The 303 profiles that are part of this study include 150 data points from VC firms operating in Switzerland and 153 data points from VC firms active in the US. The data were collected from many different individuals at a single point in time and hence represent cross-sectional research. Furthermore, it is descriptive research in order to accurately identify characteristics and frequencies of these characteristics to describe the sample.

VC Name	Banking / Finance Background	Natural Science Background	Portfolio Company Experience	Total Employees	# of Employees in 2 categories
Chi Impact Capital GmbH	2	1	1	4	0
Mutschler Ventures AG	2	1	1	3	1
Serpentine ventures AG	10	3	3	13	3
Spicehaus Partner AG	4	0	0	4	0
VI Partners AG	3	5	7	9	6
Redalpine Venture Partners AG	9	4	8	17	4
Wingman AG	2	2	5	7	2
Verve Capital Partners AG	12	8	8	25	3
BackBone Ventures AG	2	2	3	6	1
btov Partners AG	14	2	7	17	6
EquityPitcher AG	5	1	3	6	3
Emerald Technology Ventures AG	8	17	7	27	5
Helvetica Capital AG	7	0	1	7	1
Lakestar Advisors GmbH	4	1	1	5	1
Total	**84**	**47**	**55**	**150**	**36**

Table 14: Backgrounds Venture Capitalists Switzerland

VC Name	Banking / Finance Background	Natural Science Background	Portfolio Company Experience	Total Employees	# of Employees in 2 categories
Sequoia Capital	6	17	11	26	8
Accel Partners	9	9	10	21	7
Andreessen Horowitz	7	21	20	36	12
Bessemer Venture Partner	10	17	17	36	8
Kleiner Perkins	1	7	5	7	6
Greylock Partners	2	9	8	14	5
First Round Capital	2	6	9	13	4
Total	**37**	**86**	**80**	**153**	**50**

Table 15: Backgrounds Venture Capitalists US

7.3.3. Results

The data, which are summarized in the tables, reveal clear differences between US and Swiss venture capitalists. In the US, 42% of VC professionals have a degree in natural science and/or mathematical science, whereas in Switzerland only 25% studied in one of the areas of natural science and/or mathematical science. This finding supports the hypothesis that, on average, US venture capitalists hold more degrees in science than Swiss-based VC professionals. This factor is especially relevant since research has found that VC firms that have a greater percentage of their team with backgrounds in science tend to have a higher percentage of successful investments in their portfolio (Dimov & Shepherd, 2005, p. 16).

Furthermore, a comparison of the tables below reveals another major difference. Interestingly, in the US, on average, only 18% of venture capitalists have a background in finance or banking. By contrast, in Switzerland, a substantially higher percentage

(45%) of employees in the VC industry have experience or training in banking or finance. This finding is in line with Sapienza et al. (1996, pp. 462–463), who found that managers working in European VC firms were more likely than their counterparts in the US to have a background in finance or banking.

The third difference identified in terms of venture capitalists' experience prior to entering the VC industry relates to either working in a start-up or having founded or co-founded their own company. The results indicate that in the US, 40% of the professionals have had this kind of experience, whereas for Switzerland the figure is only 30%. This observation confirms the research of Berglund (2011, pp. 134–135) which stated that US VC firms prioritize the recruitment of individuals with operational backgrounds, particularly former CEOs and entrepreneurs, as they attach significant value to such experience. This is because most of these firms consider operational experience as crucial to achieving success in early-stage investments and create value.

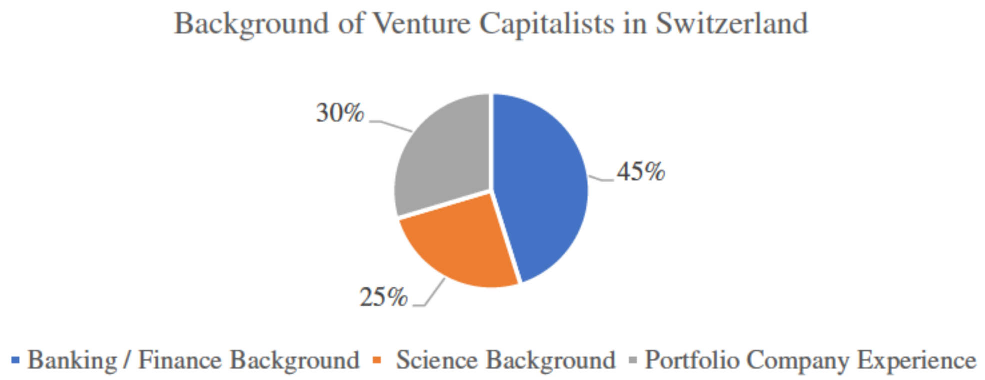

Figure 16: Background of Venture Capitalists in Switzerland

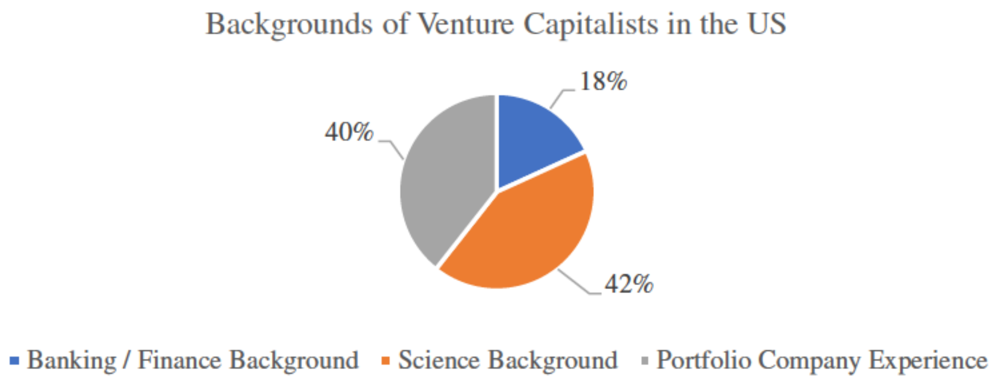

Figure 17: Backgrounds of Venture Capitalists in the US

Another interesting observation was made in regard to the background of VC firms in Switzerland versus the US. Venture capital firms in the US seem to employ more professionals who have backgrounds in even two categories. Of the observed sample, one third of the US employees had a background in two categories. In Switzerland, this applied to only 24% or approximately a quarter of employees.

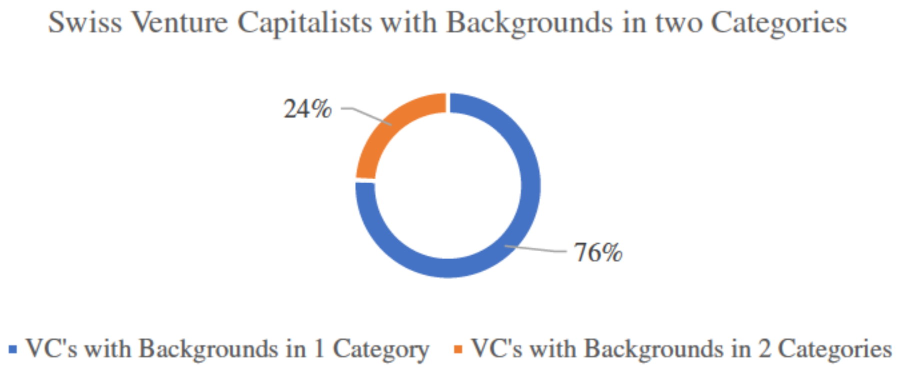

Figure 18: Swiss Venture Capitalists with Backgrounds in two Categories

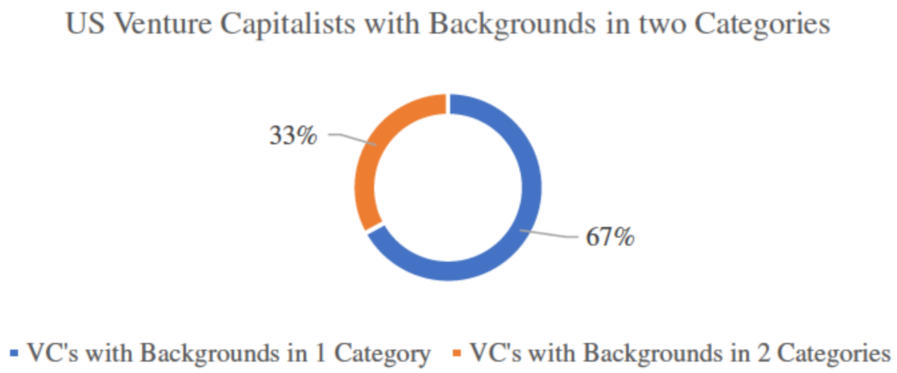

Figure 19: US Venture Capitalists with Backgrounds in two Categories

7.4. Conclusion Quantitative Analysis

The aim of the quantitative analysis was to clarify H1 and H2. Three different methods were used in order to either reject or accept the hypotheses and gain further insights. First, an in-depth analysis of five US-based and five Swiss-based VC firms was conducted to determine the extent to which the VC firms are either stage specialists or stage generalists. Second, research was conducted across the US and Swiss VC markets to identify trends in investment behavior between seed, early, and late-stage investments. Finally, the skill profiles of employees in the VC industry in Switzerland

and the US were analyzed to identify differences that might affect what a VC firm does or how it does it.

H1: *"The employees of venture capital firms in America, on average, hold more scientific degrees than their colleagues in the venture capital market in Switzerland."*

Based on the research conducted, this hypothesis can be clearly accepted. As discovered, among US-based VC firms, an average of 42% of employees possess a degree in science and/or mathematical sciences. In Swiss-based VC firms, by contrast, only 25% of employees have this qualification profile on average. If this result is now classified in the literature, than it means that US VC firms tend to have a higher percentage of successful investments in their portfolio according to Dimov & Shepherd (2005, p. 16), because they have, on average, more employees with scientific degrees. In addition, there was a significant difference in relation to employees with a background in banking and/or finance. On average, 45% of staff of Swiss-based VC firms have this specific profile, while US-based VC firms employ only 18% with a banking and/or finance background. Moreover, on average, the workforce of US-based VC firms has had more start-up or portfolio-company experience than their counterparts in Switzerland, as they either founded or worked in a start-up before entering the VC industry. In conclusion, as Berglund (2011, pp. 134–137) has noted, VC firms create value due to employees having scientific degrees or portfolio company experiences. Thus, due to these findings, US VC firms should be better able to create value for their portfolio companies compared to Swiss-based VC firms.

H2: *"The more experienced a venture capital firm the more open is the scope in terms of stage of the underlying portfolio company."*

The non-standardized deal type score provided insights into the positioning of VC firms relative to the population in regard to being either stage-specialists or stage-generalists. The analysis revealed that US-based VC firms are close to each other and tend to be found in the middle between stage specialists and stage generalists across all years. Furthermore, there seems to be a trend towards more stage-generalists, as four out of five US-based VC firms have tended to move in this direction over the past five years. This finding is in contrast to the literature that stated VC firms seek competitive advantages by specializing in stage of investment (Caselli & Negri, 2021, pp. 66–67).

However, the trend in the direction of generalization over the past five years applies not only to US-based VC firms, but to all venture capital firms included in the population. Another observation is that Swiss-based VC firms tend to be more clearly positioned as either stage-generalists or stage-specialists, as they tend to be on the margins of the population. On average, an examination of the median reveals that US-based VC firms are more generalists than to their Swiss colleagues. This finding can be regarded as confirming H2.

In order to shed light on the hypothesis from another perspective, further analysis was undertaken. By expanding the population, the findings indicate that the average deal size in the US is larger than in Switzerland across all phases. An examination of the number of deals and the amounts invested, reveals that Swiss-based VC firms seem to attach more importance to early-stage investments and are more active in that area than US-based VC firms. In Switzerland, 53% of the invested amounts arrive at early-stage start-ups (seed, series A), while this is only the case for 38% in the US (seed, series A). Moreover, the analyses conducted over the time axis indicate that US-based VC firms seem to be more robust in their investment behavior, as each stage receives more or less the same attention. In Switzerland, however, the behavior of the investment phases (seed, series A, series B, and series C) fluctuates strongly over time. In regard to the hypothesis, one can note that the US VC industry is more balanced and stable than the Swiss VC industry. This finding is in line with the statement of Sieber (2009, p. 47), that in comparison to the US, the Swiss VC market is still in the development phase.

8. Qualitative Analysis

This section aims to answer the research question based on interviews with Swiss venture capitalists and provide insights into how the Swiss VC industry works within the fields of interest. Due to the fact that, according to Landström (2007, pp. 4–5), the literature is strongly US-centric, the interviews serve the purpose of gathering data exclusively for the Swiss VC ecosystem. The main focus of the interviews is based on the three previously identified areas of interest that were extracted from the current state of research (deal flow generation and selection, post-investment involvement, and exit). The interviews were performed in an informal and open manner, thus creating a comfortable environment for the interviewees to express themselves freely. The format of the interviews varied between physical meetings at the VC firms' locations and digital meetings.

8.1. Analysis Procedure

This section outlines the procedure used to analyze the interviews. First, the conversations with the interview partners were recorded and subsequently transcribed verbatim. Thereafter, the analysis procedure described by Mayring (2015, pp. 97–114) was utilized to obtain the results. Second, each statement and/or answer of the interviewees was assigned to a defined category. Third, every statement was paraphrased, and superfluous material removed. Finally, the results present a summary of the statements as a system of categories that was then compared to the findings of the quantitative analysis and the current research. The categories were chosen using a deductive structuring the content according to thematic criteria, in other words, extracting and summarizing material on specific topics. The categories were based on the pre-existing literature outlined under the state of knowledge in section 6.1. The objective of this analysis was to condense the material while preserving crucial information. In short, to accomplish this, specific elements were selected from the material based on predetermined guidelines.

The participating interviewees represent both larger and smaller VC firms, in order to potentially reflect the market optimally. For simplification, an ID code was assigned to each interview partner, which will be used in the remainder of this analysis.

ID	***Name***	***Venture Capital Firm***
I1	Sylvie Mutschler	Mutschler Ventures AG
I2	Martin Moser	Chi Impact Capital GmbH
I3	Jonas Brunner	Spicehaus Partners AG
I4	Michael Stucky	Serpentine Ventures AG
I5	Diego Braguglia	VI Partners AG
I6	Hermann Koch	EquityPitcher AG
I7	Michael Sidler	Redalpine Venture Partners AG
I8	Maurin Rüegg	Sparrow Ventures
I9	Steffen Wagner	Verve Capital Partners AG

20	Christian Viatte	Mila AG
21	Philippe Bernet	BackBone Ventures AG
22	Hans Dellenbach	Emerald Technology Ventures AG

Table 16: Interview Partners and their Companies

Table 17 presents an overview of the organization of the categories. The table includes anchor examples that represent a particular category and support its definition. This section provides clear definitions of what is meant by each category.

Category	***Definition***	***Anchor Example***	***Coding Rules***
Deal Flow Generation & Selection	How and through which channels can potential start-ups be found. How and based on what the investment evaluation is conducted.	*«We say 80% of the deals is passive deal flow through our contact form on the website. » (15)* *«…there must be sales because we want to do our due diligence on the customer.»(16)*	Everything concerning how start-ups are identified and selected. Before investment has taken place.
Post-Investment Involvement	Interaction with portfolio companies. Value-adding contributions of VC firms to portfolio companies.	*«Not necessarily in the operational business, but rather in the area of consulting on strategic issues.»(13)* *«We also have a legal service provider for our startups.» (14)*	After the first investment by VC in the start-up till start-up no longer belongs to the portfolio of the VC.
Exit	Process of disinvestment and typical disinvestment scenarios.	*«So, either there is a strategic investor/buyer from the industry for whom this is exciting to buy. This is the most common.»(11)*	Everything belonging to the process of disinvestment.

		«There are three variants. Superficially, either the company is sold, i.e., a trade sale, usually a strategic buyer or private equity buyer. Second variant is an IPO, i.e., an initial public offering. Third variant, we sell our share to another investor.»(17)	

Table 17: Deductive Category Application

8.2. Results

This section presents and summarizes the results of the interviews. For this purpose, this section is divided into the categories described above.

8.2.1. Deal Flow Generation and Selection

When it comes to deal flow generation, a distinction must be made between reactive and proactive deal flow generation. Reactive deal flow generation refers to the referral of start-ups by related parties, such as the fund advisory board, co-investors, incubators, or business angel networks. This type of deal flow is experienced by most, if not all, of the VC firms interviewed (11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 22). Apparently, it is not so much competition with other VC firms as syndication that leads to increased deal flow, as co-investments are solicited (14, 12, 15, 16). Another important source of potential deals is a VC's website or LinkedIn profile (11, 12, 13, 15, 16, 18, 19, 21, 22). For some, it is how the largest quantity of deal flow comes about (13, 15, 21). Obviously, reactive deal flows increase with visibility in the market, as experience has demonstrated (11, 22). However, some VC firms tend to prioritize deal flow that comes through their networks as referrals. One reason for this is that these deals are mostly of higher quality and have undergone some kind of prequalification (11, 17, 19, 21, 22). What this means, for example, is demonstrated by the fact that only 5% of start-ups that approached the VC firm received an investment (19).

The identification of start-ups can also be undertaken in a proactive manner, that is, proactive deal flow generation. One way to proactively finding interesting start-ups with potential is by being closely connected to Swiss universities (14, 15, 16). The close proximity to the university ecosystem is especially important for early-stage investments (14). Some VC firms try to get in touch with potential start-ups before they are mature enough to invest in, or before they have even been founded (13, 14, 16). One reason is that the VC firm can build a history with the founders and position themselves for later. To achieve this, they participate in, or are invited to, university events with research teams that have an idea (14). Participation in such events or in competitions (e.g., Top100) and pitching sessions is a common way to connect with the ecosystem (12, 15, 16, 18, 22). In addition, online platforms are used to search for suitable start-ups, for example, sifted.eu, Start-up-Ticker, and PitchBook, and active contact is made as soon as a target is discovered. (12, 13, 18, 19, 22).

Another way of screening for potential start-ups is during the due diligence phase. By diving deep into industry analysis, a VC firm may discover other players that could potentially be considered for investment (14). One VC firm described the most extreme form of proactive deal flow generation. By defining industries and areas where they expect disruptive change, they search for the best team in that field and contact them directly to ask for an investment opportunity (17).

After a potential start-up has been identified, the selection process begins. One of the most important elements of the due diligence phase, besides the start-up team itself, seems to be reference talks with the start-up's customers to verify the business model and the underlying technology (11, 13, 14, 16, 18, 22). To conduct reference talks, the start-up requires relevant revenues to provide proof of concept and product-market fit (11, 13, 14, 18, 22). Relevant revenue does not refer only to the actual figures – the trend of revenue generation is also crucial (11, 13). If the investment in a start-up is made at a very early stage, other elements are relevant, such as the potential of the technology, the intellectual property portfolio, a letter of intent from potential partners or customers, and first and foremost, the team behind the start-up (14, 21). The start-up team also has to match the VC firm on a personal level, because they work together for a very long time and a great deal of energy can be lost in the interpersonal area (21). Finally, the question of who the co-investors are should also be taken seriously (11).

The experience of a start-up financed by American and Swiss VC companies demonstrates that there are significant differences between the two countries in the selection of portfolio companies. American VC firms look for ‘the next big story’ and invest more in the future and vision as well as the team. In contrast, Swiss VC firms tend to more closely analyze the past of the start-up and are somewhat more defensive than US VC firms (20). Also, US VC firms seem to be more interested in light pitch decks that convey the message quickly, in contrast to European VC firms, who prefer information-rich pitch decks (20).

Interestingly, the quantitative finding that Swiss VC firms, on average, tend to invest more in the early stages and are more active in that area seems to be confirmed by the qualitative research. Almost all VC firms interviewed stated that they are mostly active in and around series A (11, 12, 13, 14, 15, 16, 17, 18, 22). Seven VC firms noted that they are also active in the seed stage (11, 13, 14, 15, 16, 17, 21), but series A dominates. Only five VC firms mentioned that they undertake late-stage investments post series B (14, 15, 17, 18, 22).

When asked about the development over time when it comes to investment stages, it is notable that the majority of VC firms are moving from the very early stages to the early and later stages (11, 13, 14, 16, 17, 19, 22). One of the reasons for this is that the Swiss VC industry is already quite well established in the early-stage space but not yet as strong in the later stages (14). In other words, this development corresponds to the ecosystem in Switzerland (17). Another reason for moving to a later stage is the structure of a fund. Venture capital firms that launch one of their first funds are usually smaller, and smaller funds tend to invest earlier to make enough investments. The larger the funds become, the more later stage investments are usually made (13, 16, 19, 22). Moreover, this development is not only partly due to the evolution of VC firms over time, but also to considerations of diversification and increasing attractiveness to investors (14, 19). In addition, the stage at which a VC firm invests also depends on the life cycle of the fund. If the fund is already in its sixth or seventh year, early-stage investments are no longer an option, as one must plan for time and money to force the exit (15). Therefore, often the fund results in a mixture of stages (15, 17).

An essential aspect of selecting a start-up for investment is the due diligence phase. Usually, the economic due diligence is done in-house and/or in exchange with a co-investor (11, 12, 13, 14, 16, 17, 18). If specific technologies are involved, the due diligence process is extended, and professors from universities, external consultants, or members of the advisory board are involved (13, 14, 16, 17, 21). If, for example, the VC company consists of experts in the fields of software technology, biology, and/or medicine, the due diligence can be performed mostly in-house (17, 22). Comparing the due diligence phase between Swiss and US VC firms, we find that US VC firms are more standardized in terms of standard term sheets and standard processes and tend to issue a term sheet more quickly than their Swiss counterparts (22).

8.2.2. Post-Investment Involvement

Involvement after investment varies from VC company to VC company. However, one area where most VC firms provide support is with strategy consulting (11, 13, 14, 15, 16, 17, 21). This can relate to classic strategic topics from the perspective of corporate development, that university graduates have not yet dealt with. For example, what percentage of the salaries should be issued in the form of shares in the start-up and over how many years, or more generally, what form should employee incentivization take (13, 21). Other types of support in the area of strategy can relate to the right patent strategy or pricing strategy (14, 15). In addition, and especially for tech founders who are usually rather inexperienced in business management topics, it is beneficial to highlight important situations, future hurdles, and problems that may arise, and formulate strategies to solve these early on (13, 15, 17).

Another area where most VC firms are active in post-investment is helping with the organization of further financing rounds (11, 13, 14, 16, 17, 19, 21). This is not just about establishing contact with potential investors but also about helping with story-building and pitch decks (15, 21). In addition, team-building assistance was mentioned as an aspect where start-ups benefit from some VC firms (11, 17, 19). For example, it is actively highlighted if the management of a start-up lacks relevant experience or soft skills, and the expansion of the team is not only recommended, but even supported in the search (11). Another VC firm may understand how to help with team building differently. It was mentioned that when a company grows from 10 to 100 employees, the start-up receives support on issues such as structure, processes, and culture (17).

It is also important to distinguish between companies that have an experienced management team and start-ups that are still in the early stages when it comes to post-involvement (14, 19). While start-ups with strong managers may only need the VC firm's network on the investor or client side for Swiss corporations, young start-ups often need more operational help as well. This kind of more operational support can take the form of financial plans, pitch decks, modelling, legal services, or even a chief financial officer or accountant (14). Especially in the early phase of the initial investment, the VC tends to be more active in checking whether the company's governance and board are functioning well (19). In addition, the involvement of the network of VC firms is often mentioned (11, 12, 14, 15, 16, 17, 19, 22). This can range from industry experts that help with product development to further investors and introductions to large corporations that represent potential customers of the start-ups (11, 13, 15, 16, 19, 22).

Finally, some VC firms provide extra value-adding activities such as tracking impact key performance indicators (KPIs) or providing support in marketing (12, 17). Moreover, a VC firm mentioned that a dedicated team provides active recruitment for key positions and supports and prepares the portfolio companies for the exit process (19). Another VC firm has an internal team of experts where everyone has a doctorate, and so the most serious problems a start-up might have from a technical point of view can be discussed and resolved (22). This internal team attracts not only potential start-ups, but also corporate partners and investors, as they want to understand the latest trends in a particular industry and use the VC as a kind of advisor (22). However, the majority of VC firms specifically mentioned that they are not operationally active, do not intervene in the operational business, and do not assume executive functions (11, 12, 13, 15, 17, 18, 21).

Post-investment involvement is not only about actions, but also about the mindset a VC brings to the table. It is exactly at this point, that the US and Swiss VC industries differ slightly. As discussed in the quantitative part and mentioned in the interviews, the US VC industry is more driven by former entrepreneurs, and this is most likely the reason for the difference in mindset (14, 20). While in the US, venture capitalists tend to believe in a scenario where everything goes well, Swiss VC firms tend to wonder what could go wrong (14). Conversations with employees provide examples, from the perspective of start-ups, of the difference in mindsets of VC firms from the two countries. In the US, employees prefer to receive their salary in shares rather than cash, while in Switzerland, cash is preferred (20).

When it comes to the frequency of exchanges between the portfolio company and the VC firm, it is striking that they all have very active exchanges. Most of the VC firms have almost weekly exchanges with the start-ups in some form (12, 13, 15, 16, 17, 21). However, this can vary from time to time, but exchanges usually take place between weekly or monthly (11, 14). Contact channels can range from structural meetings with a start-up's board to informal and short emails or phone calls to WhatsApp messages (13, 14, 15, 17). Most often, venture capitalists want to be informed about, for example, important hires, budgeting, and achievements, or the founder wants to discuss the decision-making process and has general questions (12, 13, 16, 17). Another way of interacting is through organized workshops for the portfolio companies, where half a day is spent to discuss, for example, how to achieve certain KPIs for which the VC has set targets (14). The goal is to be so close to the founders that it makes no difference whether the VC is on the start-up's board or not (21).

When asked if the VC firm uses its energy and resources on start-ups that are on a winning track or those that might be at risk, opinions were not that clear. The main focus should be on the winners and how they can be accelerated even more, as this is an essential part of investing (11, 13, 14, 17, 19). However, it was also mentioned that VC firms try to identify problems quickly and solve them immediately when the fire is still small (14, 15). Furthermore, the world can sometimes look different in reality, because those who cause problems consume a great deal of time. This is simply because the issue requires VC partners (15, 16, 18, 22). At some point, however, it should only be done what is necessary and admitted that one was wrong, to shift the focus to something else and only do what really adds value (11, 14, 16). Nevertheless, it can sometimes be extremely difficult to identify winners who are just going through a difficult time (14). In summary, the money can only be lost once, whereas with winners, the money can be won 10 or 20 times (17).

8.2.3. Exit

As far as the type of exit is concerned, the Swiss VC firms interviewed seem to be consistent and gave similar answers. Most often, a strategic investor from the same industry in which the start-up operates acquires all the shares of the start-up in a trade sale (11, 17, 15, 19, 22). Strategic investors are not only corporate investors, but can also be private equity firms (11, 15, 16, 19). The second most common exit appears to be via the secondary market, that is, the sale of shares that the VC firm holds as part of a larger financing round to the next VC firm or other investors (11, 16, 17, 19, 21). A buyer in the secondary market also seeks a lively exchange with other VC companies or investors, as the buyer is interested in a qualified deal flow (21). An IPO is only mentioned as a third exit route and seems to be rare, as among other reasons, not every business case is suitable for an IPO (13, 15, 17, 19, 22). In addition, a VC firm that focuses on biotech start-ups mentioned joint ventures with call options as another exit option (15). Interestingly, a major difference between the Swiss and US VC industries in terms of exit was found in the exit philosophy. While in Europe, and specifically Switzerland, it is about funding and building a good storyline with their portfolio company, in the US it is more about speed to get the start-up to the NASDAQ at the highest possible premium (15). Furthermore, the interviewee added that IPOs are often even paid for by investors and that this is seen as another round of financing, even if the relevant company's technology is not yet fully approved. It seems that the US has a stock market for technology stocks that Europe lacks (15).

Another point regarding this phase was mentioned several times. As the ecosystem in Switzerland has not been in existence for very long, several VC firms do not have much experience with exits and are either still in the investment phase or have not yet reached the end of the fund (12, 13, 16, 18).

Similarities in terms of drafting a deal were noted. The interviewed VC firms usually engage merger and acquisition (M&A) advisors to screen their portfolios (11, 13, 14, 16, 17, 21, 22). In this way, a strategic investor can be found, and the portfolio companies can be placed on the radar of such dealmakers. This process is launched very early on, often before the start-ups reach the final KPIs (17, 19). Frequently, however, it can also be observed that the founding team or the management of the start-up has already established contact with a potential buyer (12, 16, 22).

Another possibility for a potential exit is the network of other VC firms or co-investors who have invested in the same start-up (11, 13). In addition, a lively exchange with Swiss corporates and their respective M&A teams serves as a good network for exits (14, 22). Not only do VC firms have to proactively seek exit scenarios, but they are also usually contacted by private equity firms that are actively looking for new deals (16, 19). Exchanges with such exit partners seem to influence some, but not all, VC firms in their selection of start-ups. While it is argued that VC firms are on the front lines and therefore tell M&A advisors what is hot, some try to use the exchange with exit partners to identify trends and develop their portfolio companies in the direction of the exit partner (16, 17, 19, 21). Furthermore, lessons can be learned from the exit process and applied to deal sourcing (19). For example, it is learnt what kinds of assets are important for a buyer and which are not, as well as what the market conditions are (19, 21). Moreover, this plays a role not only in the selection process, but also in the way one works with the start-ups during the holding period (19).

The great experience of US VC firms in terms of exit is also evidenced by the fact that US VC firms are more accustomed to failing companies and are less emotionally attached compared to Swiss VC firms (20). Moreover, in the US, start-ups that appear to be at risk are closed down more quickly, in contrast to Switzerland. Europe is still learning this kind of mentality, as it seems that there is much more to digest when an investment is not successful (20).

Finally, one topic that almost all the VC firms interviewed agreed on is that the exitability of a start-up is already considered as part of the due diligence process before the initial investment (11, 12, 13, 14, 15, 17, 21, 22). Exitability is taken into account at the very beginning, and an exit vision or hypothesis is formulated (11, 14, 15, 17). Factors such as market dynamics, the market in general, the competitive situation, logical buyers, placement in the portfolio of large corporations, and whether there have been other recent exits in the industry in question are examined (14, 15, 21, 22).

8.3. Discussion

The aim of this section is to evaluate and reflect on the results of the qualitative analysis and situate them in the existing literature. This process will enable a holistic view to be obtained and ultimately answer the research question. For that purpose, the discussion is structured according to three different categories.

8.3.1. Deal Flow Generation and Selection

When it comes to deal flow generation and how potential start-ups are identified, Swiss VC firms are largely in agreement. The VC firm's network brings the largest deal flow and introduces many potential start-ups to the VC. This network ranges from business angels to investors, the fund's advisory board, or even to other VC firms with whom a working relationship exists. Often, this is not left to chance but a conscious decision and channel that one cultivates:

"95% of the investments that we actually make, we are actually dependent on our network, which already exists. That is actually a conscious decision."(19)

"A big part is the network, your own network, I mean, you are connected in the industry, it is a people business, the industry is not very big, you know each other. So, you send each other deals."(16)

The fact that most business comes from personal recommendations is not only the result of the interviews conducted but is in line with the literature. It was Bruton et al. (2005, pp. 744–745) who observed this behavior in the US as well. Furthermore, the literature puts forward a reason as to why this is the case. Researchers have discovered that it is due to the fact that the referrer of a deal wants to maintain their relationship with the referral receiver, or in this case, the VC firm (Fried & Hisrich, 1994, pp. 32–35). As a result, this channel usually brings a higher quality of business, as the underlying start-up has gone through some sort of pre-qualification. This also applies to Swiss-VC firms:

"…other investors, i.e., other VCs, other business angels, or our own investors. This is actually very good in terms of quality, because a pre-qualification process has already taken place there."(21)

"…our deal flow comes from our network. They are people we know and have perhaps invested together in the past or are entrepreneurs themselves. If one of them says, look, this is an interesting team or they are doing something cool, then that is a pre-qualification, so to speak."(17)

Interestingly, a rather young Swiss-domiciled venture capitalist stated the following:

“…quite a lot via e-mail or through the website works a lot. This means that the majority of the start-ups approach us or write to us.”(13)

Comparing this statement with the statements of more experienced Swiss-based VC firms, it could possibly indicate that the more experience a VC firm has, the larger the network becomes, and therefore the flow of transactions through the network increases over time. Thus, it may be due to experience that the deal generation behavior of venture capitalists is consistent with the findings in the literature that apply to the US VC market. Moreover, sending deals to each other also indicates that it is not a competition, but much more of a cooperation. This assumption was also confirmed by the interviewees and demonstrates that syndication and collaboration are key within the Swiss VC market:

“The realization is almost the same everywhere, that together you are stronger and do not have to unnecessarily spoil the prices.”(17)

“Your question suggests whether there is competition. And there is no competition. ... But there is much more cooperation from the beginning, because there is a rule of thumb in the field that everything costs more and takes longer than thought.”(15)

Another way venture capitalists in the US generate deal flow has been described by Berglund (2011, p. 140), who points to the connection with university laboratories and research departments, as venture capitalists’ staff often have a scientific background and are therefore directly connected on a technical level. The Swiss-based VC firms also seem to be closely connected to the Swiss university ecosystem:

“…we are on the one hand, well connected because I am still in it myself, but we are also often at events where we are invited. Often also events where no companies are founded yet, but for example a team of researchers with an idea.”(14)

“…are also much at universities at the events and scout and then bring them to us.”(16)

However, they often refer to events organized by the universities and not directly to the laboratories. This indicates that it is more of a business or casual level than a technical level. The results of the quantitative part support this conclusion, as Swiss VC firms predominantly employ staff with a different profile than in the US. Thus, to be potentially more connected to universities on a technical level, Swiss-based VC firms need to employ more staff with a scientific background. Therefore, we can see a slight tendency for US VC firms to be even more closely connected to the university ecosystem.

According to Berglund (2011, p. 132), a further tool that is utilized in the US to spot interesting start-ups is the due diligence process. As part of the due diligence process, US venture capitalists conduct an in-depth competitive analysis that often leads to the identification of other ventures. However, only one interviewee mentioned this strategy:

"…we do market reports, and you get quite a deep dive into certain industries. So, you see the individual players and can easily get from one to the other."(14)

In addition to deal flow generation, the selection of a start-up for an investment is another crucial part of the VC business. According to Bernstein et al. (2017, p. 536) the most essential element in the selection process is the founding team of the start-up. This also seems to be a relevant aspect for Swiss-based VC firms:

"The most important criterion by far is the quality of the founding team."(17)

"Our minimum is that we want to see a full founding team; so often CEO and CTO and that is almost it."(21)

The literature indicates that this can even go so far as to suggest that adverse chemistry between a VC firm and a startup's founding team can ruin a deal (Berglund, 2011, pp. 129–130). This appears to be congruent:

"With the team of the start-up, it also has to match on a personal level, because you work together for a very long time and a lot of energy can be lost in the interpersonal area."(21)

In Switzerland, however, most venture capitalists mentioned another element that seems to be even more significant and therefore differs from the literature. According to the interviews, the majority of VC firms highlighted that start-ups need to have relevant revenues. This allows for reference talks with customers of the start-up in order to verify the business model and technology.

"…there must be sales because we want to do our due diligence on the customer."(16)

"Important or extremely important for us is to talk to customers or potential customers from the start-up. That is extremely important; one of the most important tests."(14)

This possibly indicates that US VC firms invest in start-ups slightly earlier, as they focus on the team, while Swiss VC firms are more likely to analyze the startup's history and already want to see some kind of relevant revenue. This assumption finds support in the literature, which states that US VC firms tend to invest earlier than VC firms in Europe (Bertoni et al., 2015, p. 556). The statement from the perspective of a start-up additionally underpins this thesis:

"American VC firms tend to seek the next big story and invest more in the future, the vision, and the team, while Swiss VC firms look more at the history of the start-up and are somewhat more defensive than the Americans."(20)

Furthermore, the finding from the quantitative part that Swiss-based VC firms on average tend to invest more in the early stages than the later stages tended to be confirmed in the qualitative research. Almost all respondents indicated that they operate predominantly in and around series A. Another finding from the quantitative part states that there is a general trend towards more stage generalists over time. When asked about the development over time of the stages in which Swiss VC companies operate, a clear movement can be observed as well. It is significant that the majority of Swiss VC firms move from very early stages backwards to early and later stages. Therefore, the results of the quantitative part are compatible with those of the qualitative part, and vice versa. There are two reasons for this tendency towards movement: firstly, the first fund a VC firm launches is typically small compared to subsequent funds. For smaller funds, one invests in younger start-ups to be able to make enough investments, as the valuation of early-stage start-ups is lower. The larger the fund becomes, the more access one has to late-stage investments. The underlying VC companies must therefore successfully pass the first fund in order to expand to a more scope generalist.

"The first fund was very small; there we went in very early, partly already pre-revenue. In the second fund we went in rather later."(16)

"With the additional firepower, i.e., with the additional investment volume that we were able to gain each year with our growth, we could afford to expand even further in the stages towards the rear."(19)

This effectively illustrates the development of the VC ecosystem in Switzerland and provides arguments why there is still a gap between the US VC and Swiss VC industries. Furthermore, the following statement indicates that the Swiss VC industry is still developing and that the result of the quantitative analysis, namely that the Swiss VC industry is more capable in the early stages versus the later stages, can be confirmed:

"We have waited 1.5 years, learned from the experience, and looked at what is missing in the market and what is actually needed. And yes, you know in Switzerland, early stage is well established, the later phases are more difficult."(14)

The 1.5-year waiting period refers to the launch of the second fund after the first one and demonstrates the transition from a rather stage-specialist to more of a stage-generalist. Another reason for the move in terms of stages is the consideration of diversification and increasing attractiveness for investors.

"We are actually broadening or widening the stage focus today than we were a few years ago. It is our strategy that we try to have a vehicle, …, from all stages of a start-up."(19)

"…a strategic diversification because we do not want to position ourselves only as a single VC but have the approach of venture asset manager."(14)

8.3.2. Post-Investment Involvement

The meaning of involvement with the portfolio companies can vary greatly once the investment has been made (Berglund, 2011, pp. 122–123). This is also observed in Switzerland, where the activities range from tracking impact KPIs to active recruitment and from the consultation of experts to active support in sales during targeted interviews with potential customers of a start-up. In addition, it varies not only from VC to VC but also within a VC depending on the stage of the underlying portfolio company:

"It varies from stage to stage and also from company to company."(14)

On the other hand, the two activities that the majority of VC firms interviewed engage in are strategy consulting and assistance in organizing additional rounds of financing. Bruton et al. (2005, pp. 745–747) noted that although strategic engagement also occurs in Europe, it is much more common in the US than in Europe. However, VC firms based in Switzerland not only seem to be very active in the area of strategic engagement, but also offer a large number of different thematic areas. Most of the VC firms have almost weekly exchanges with start-ups and want to be deeply involved in and/or informed about the discussions and decision-making process. Venture capital firms have also identified what founders with a science background lack in terms of entrepreneurial skills that are relevant to a start-up. That is exactly where they come in:

"So, it is really the classic strategic topics that ETH graduates do not really deal with."(13)

An example of what strategic engagement might look like and why Bruton et al.'s (2005, 99. 745–747) statement can possibly be challenged is provided by the following statement:

"One spends half a day together. In some cases, we also have KPIs that we ask the start-ups to meet. Then, for example, we pick a KPI and do a workshop about this KPI…"(14)

Furthermore, Berglund (2011, pp. 122–123) notes that some VC firms mainly aim to identify good start-ups, negotiate advantageous investment conditions, and then arrange a profitable exit. This kind of approach has been discovered by two VC firms:

"So, when we do an investment, we are not that involved....So we do the classic portfolio management."(18)

"We do not support directly; we are too small a team for that. It is only monitoring."(12)

Nonetheless, it is not true for most VC firms interviewed. The clear majority of VC firms go beyond that approach.

What becomes clear after analyzing the interviews is that almost all VC firms provide access to their network and business partners, which can lead to technical support or even new sales opportunities. This is consistent with the literature describing this behavior for US VC firms (Engel & Keilbach, 2007, p. 166).

"We generate structured intros to corporations and SMEs in order to sell the products there as well."(16)

"…we have a pool of experts on various topics, which we can activate for our portfolio companies."(19)

In addition, the post-investment involvement goes far beyond that. Interestingly, there is also a notable difference in Switzerland between rather large and experienced VC firms compared to smaller and younger VC firms. This would suggest that experience does play a role in the behavior of a VC firm post-investment. For example, the rather old VC firms in Switzerland provide not only strategic assistance, but also in-depth industry expertise, direct contacts with large corporations, and even operational support to some extent:

"…we have a huge in-house technology team of 17-18 people. Many of them have PhDs with 5-10 years of professional experience…"(22)

"There we have people with us who are very good at modelling, working out pricing strategies... a CFO for hire and accounting for hire, we bring them in as well."(14)

In a more illustrative sense, these VC firms do the following:

"…if you think of it as a football game, the team, the ones playing on the field, they have to win. And we do everything, on the sidelines, to help them win. So, we motivate, massage, bring the tea, coach, do transfers, sell ticks, so we just do everything so that they win."(19)

These VC firms really go beyond high-level consulting and professionalizing start-ups in several areas. Hellmann and Puri (2002, pp. 194–195) also discovered this type of activity among US VC firms. The authors added that the US VC firms also support topics such as hiring and the adoption of stock option plans. These operations seem to be congruent with Swiss VC firms:

"…recruiting for key positions. So, C-Level and CFOs and because we are so highly networked as a company, we can help very effectively in finding good people for important positions."(19)

Younger VC firms, which may not yet have reached this stage of development, provide a smaller range of services, such as assistance in the next financing round or strategy consulting. This tendency indicates that venture capital firms expand value creation the longer they operate or the more experience they gain. This identified tendency goes hand in hand with literature as Sapienza et al. (1996, pp. 440-441) described similar findings. Thus, since the US VC market originated in the US, according to Andrieu (2013, p. 234), it seems that they have had a head start in this regard as well.

When we leave the strategic themes and move into the area of operational involvement, things look somewhat different again. The literature mentions that VC firms also deal with day-to-day operational issues (Timmons & Bygrave, 1986, p. 161). This seems not to be the case for Swiss-based VC firms since the majority of VC firms specifically mention that they are not active, or do not intervene in the operational business, and do not assume executive functions:

"Not necessarily in the operational business, but rather in the area of consulting on strategic topics."(13)

"We see us in the passenger seat or back seat, but definitely not in the driver's seat."(21)

However, while some Swiss VC firms come very close to operational activities, on average, VC firms are typically not operationally active. Proksch et al. (2018, p. 54) point out that while European VC firms are both operationally and strategically active, this is not to the same extent as their American counterparts. The interviews conducted suggest that Swiss VC firms appear to be somewhat comparable in terms of strategic involvement, but not to this extent in the operational sense. Thus, H3 can be confirmed.

In addition, the quantitative research revealed that US VC firms employ more people with entrepreneurial or start-up experience than Swiss-domiciled VC firms. Apparently, this difference also affects the communication between the portfolio companies and the VC firms:

"…there are simply also bankers and entrepreneurs among the VCs. That is a big difference. .... I think there are a few other topics that are discussed."(20)

This reference implies that, from a start-up's perspective, it makes a difference whether one talks to a venture capitalist with banking or financial expertise or one with entrepreneurial experience. Berglund (2011, pp. 137–142) points out that US VC firms tend to assume a partner role, which is comparable to an almost co-entrepreneurial approach. Swiss VC firms do maintain collegial communication with their portfolio companies, but not to the extent that American VC firms adopt a co-entrepreneurial approach.

"Well, I have a WhatsApp channel with all the start-ups for which I am responsible. Sometimes we are on it every day."(17)

Sapienza et al. (1996, pp. 462–463) address the impact of the different staff profiles of venture capitalists, noting that there is a lack of experience in venture building because European venture capitalists are largely from the banking or finance industries. A good example of the difference in mindset is seen in the following statement:

"What if everything goes right? And with us, the mentality is rather; what could go wrong? And you always find 1,000 reasons why you should not do something. That is the fundamental difference."(14)

A suggestion that provides answers as to why this is the case can perhaps be found by looking at the backgrounds. If someone has undergone training or has professional experience in banking or finance, this training or professional field is strongly associated with risk management. One of the core elements of risk management, among others, is the question of what could go wrong.

Another consistency in the literature was found during the qualitative analysis. De Clerq (2003, pp. 58–60) describes that US VC firms are, among other things, able to identify potential weaknesses in management.

"…if a team is not so experienced, then point out the most important situations that they themselves do not see. We say, for example, look, here comes this and this hurdle or problem."(17)

"…but has no management experience or lacks soft skills. We recommend that the team is expanded…"(11)

These statements provide evidence that Swiss-VC firms seem to spot and perform similar activities described by De Clerq (2003, pp. 58–60).

On the other hand, an area where no clear opinion could be formed in Switzerland is whether a VC invests more energy in start-ups that perform well or in those that perform poorly. According to Sapienza et al. (1994, p. 14) US VC firms focus more on high-performing portfolio companies.

"…I mean often, if you have problems in the company, then it needs you there, of course."(16)

"...most of the time it does not always go smoothly, well to be honest it never goes smoothly... So, 1,000 problems and there you come into play…"(22)

While the above statements indicate that Swiss VC firms spend more time on start-ups that are struggling in some way, the following statements go in a different direction:

"This is where the classic VC approach comes into play, bet on your winners."(13)

"…if you use your energy and resources to save failures, then you make a huge mistake. Because you lose the money at most once. But if you use your energy to support winners, then you win the money 10, 20, 30 times…"(17)

The reason for this discrepancy could not be identified, which leaves room for further research. One could use the return as a further variable to find out which approach is more successful. However, greater consistency among Swiss VC firms was found in response time to problems:

"Small fires, small means. And the sooner you can extinguish it, the easier it is. With the companies it is exactly the same."(15)

8.3.3. Exit

For Swiss-based VC firms, the most common exit scenario seems to be a sale of the start-up to a strategic investor, according to several interviewees:

"The most common is certainly still the trade sale. Within the trade sale, the strategic buyer is the most common." (19)

"…a strategic investor from the industry for whom this is interesting to buy. This is the most common case." (11)

Apparently, this is not only the case for VC firms domiciled in Switzerland, but is in line with the literature, as Amit et al. (1998, p. 453) came to the same conclusion. As the literature review indicates, these strategic buyers are often dominant because, among other things, they want to absorb the innovative power of start-ups (Lemley & McCreary, 2019, p. 1). Exactly this behavior was also observed:

"…because we help them, ..., we talk to the start-ups and the industrial companies and help them to understand what is going on in their sectors, which are relevant to them, and they can make connections ... What they then do with this know-how is up to them. We are actually more like a knowledge transmitter, a kind of consultant."(22)

The above statement demonstrates that the VC firm connects corporations with the start-up ecosystem to identify potential innovations in their specific industries. The corporations' benefit from such exchanges, and for the VC firms, these connections support exit scenarios. Hence, the reason why the most common case is a trade sale tends to be similar to the findings in the US.

In addition, according to Berglund (2011, pp. 138–140), in the US, there are links and personal relationships directly with the industrial purchasing community. This cannot be observed to the same extent in Switzerland since the majority of VC firms interviewed use M&A advisors to initiate the exit process. One assumption as to why Swiss VC firms do not have direct connections or personal relationships with such parties is that a relatively large number of Swiss VC firms do not have extensive experience with exits, as some of them have not yet experienced a large number of exits in their lifetime. The assumption that this is partly related to experience seems to be confirmed when looking at the situation with relatively larger and older VC firms in Switzerland:

"We do intros to clients and large corporates. We are quite good at that, as we have many of the decision-makers and C-levels as investors with us."(19)

"So, our customers today are ABB, Nestle, Henkel, Caterpillar and about 50 large industrial companies worldwide."(22)

The two quotations above clearly indicate that there are personal relationships with large companies and that these relationships are used and deployed. It can thus be anticipated that as the Swiss VC industry develops, these personal relationships will grow and intensify. Berglund (2011, pp. 138–140) has made another observation, namely that American VC firms know from the beginning how to design the start-up to make it appealing to potential acquirers. This behavior is also recognized in Switzerland, but not across the board:

"…which assets what kind of buyer wants to see and which not. This then plays a role not only in the selection of companies but also in the way one works with the companies during the holding period."(19)

"…during the investment phase after investing that we steer the company and deliberately knock on these doors."(15)

These two statements demonstrate that in Switzerland, too, VC firms start shaping the start-up with an exit in mind from the very beginning. Hence, this seems to somehow match the activity of US VC firms. However, another venture capitalist in Switzerland stated the following:

"It is not the case that we are specifically working towards an exit. Our thesis is that you have to create value and then this value is also interesting for an exit partner."(21)

One possible reason for the contrasting statement could be that 21 is mainly active in the pre-seed stage of investment. Since this is a very early stage of investment, there can be many fluctuations in the potential path of such a start-up, and a clear, definable direction for an exit cannot yet be mapped. That the Swiss VC firms act similarly to the US in that regard receives further support, as the majority of venture capitalists interviewed stated that the exitability is part of the initial due diligence.

After the trade sale, in which the entire company is acquired, secondaries are the second most common scenario for Swiss-based VC firms. In a secondary, only the shares held by the VC are sold. One possible reason for this could be the fact that the Swiss VC industry is generally strong in the early stages, as shown in the quantitative analysis.

Thus, the amounts for late-stage investments are missing, and the start-up is handed over to just such late-stage VC firms:

"If it goes to Series C, we also know investors who will buy it from us, for example, the next VC." (11)

"We are in regular contact with VCs that invest after us. Because they are naturally interested in qualified deal flow."(21)

Moreover, this demonstrates that Swiss-based VC firms have an extensive network of co-investors, other VC firms and private equity boutiques. This raises the question of whether exchanges with follow-on investors or potential buyers in general influence the deal generation and selection process. As seen in the literature, the preferences of potential buyers can greatly influence this, and it is observed in the US (Lerner & Nanda, 2020, p. 249). In this respect, no clear opinion can be formed that applies to the Swiss VC industry as a whole:

"Yes, very much so... We also invest a lot of time in learning from this, what it means for deal sourcing, for example, what kind of companies to invest in."(19)

"Yes, well, of course we try to pick up on trends."(16)

While these two statements are certainly in line with the literature, contradictory arguments have been raised, such as the following:

"No, we invest where we see a good risk/return ratio... In order to find a buyer, you then have five or five to seven years if you are invested."(22)

"We tend to be the ones who tell the M&A advisors what is hot. Because we are the ones who are on the front line. So, it is rather the other way around."(17)

Although these opinions are very contradictory, both seem meaningful. To substantiate one or the other opinion, a comparison of the returns of the individual VC companies or an expansion of the number of interviews would be necessary.

Finally, Sieber (2009, p. 47) has noted that the Swiss VC industry is still in the development phase compared to the US. Considering the exit phase, this statement appears to be still true since four VC firms clearly stated that they have not yet had a great deal of experience:

> *"That is a bit where many investors, and we too, because the ecosystem has not been around that long and we have not been around that long either, have less experience."(16)*

Hence, going back to personal contacts with potential buyers, this seems to be a reason why it is not yet as established as in the US. In addition, from the perspective of a start-up that had US and Swiss VC firms on board, further evidence was found pointing in this direction. Apparently, US VC firms are less emotionally attached to a startup's failure than Swiss venture capitalists are. This indicates that because US venture capitalists have more experience, they are more accustomed to the possibility that an investment will fail. Thus, the difference in mentality, which is most likely due to the experience and stage of development of the entire ecosystem, is still clearly noticeable.

9. Conclusion

The aim of the final section of this study is to present a conclusive condensation of results that provides an overview of contributions to knowledge and practice. The summary of results provides a channeled perspective on the research gap identified at the outset and allows a targeted response. Furthermore, limiting constraints and suggestions for further research are displayed.

The purpose of this paper was to examine the differences in the way VC firms conduct business from the initiation of a venture capital fund to ultimately fulfilling the obligation of returning invested capital to the respective investors, particularly in comparison to a more experienced VC industry. To explore the potential benefits that the Swiss VC ecosystem may derive, a comparison was made with the US market, which is considered the origin of the VC business according to Andrieu (2013, p. 234). To explore this question an in-depth literature review was undertaken, in which care was given to ensure that the American market was the primary focus, allowing for a determination of the status quo against which comparisons could later be made. Subsequently, a quantitative analysis was performed to obtain numerical findings in terms of the orientation towards either stage-generalization or stage-specialization of both markets. In addition, a second method was chosen as part of the quantitative research to shed light on the results from a different angle and to gain insights regarding the investment stage, which receives the most attention from VC firms. Third, the professional backgrounds of VC employees from both markets were examined to determine differences. All three quantitative research methods yield significant results concerning deal flow generation and selection, and the post-investment phase. Furthermore, due to the limited scholarly attention given to the practices of Swiss-domiciled VC firms, interviews were conducted to gather first-hand data. Thereafter, the data generated were utilized for comparisons with VC practices in the US. This process was guided by the following key research question:

RQ1: *"To what extent does the more experienced American venture capital industry differ from the one in Switzerland in terms of how venture capitalists conduct business?"*

To address this question, research highlighted three distinct phases (deal flow generation and selection, post-investment involvement, and exit). Within each of these three phases, results can be discovered which then provide a holistic perspective and basis for the final answer to the research question.

Firstly, in terms of deal flow generation, both the US and Swiss VC industries heavily rely on networks of venture capital firms. This seems to be due to the fact that deal flow, which originates from the network, undergoes a kind of pre-qualification and therefore tends to be of better quality. With experience, the network grows over time, leading to behavior more similar to the of the US VC firms.

Swiss venture capitalists, on average, have substantially more staff with backgrounds in banking and/or finance and less with scientific degrees compared to US VC firms. This indicates a difference in their interaction with universities, which often serve as source for deal flow. While US VC firms place greater emphasis on scientific backgrounds of their employees, they tend to be more directly connected to university laboratories on a technical level. In contrast, Swiss VC firms are more likely to engage with universities on a business or informal level through events.

Furthermore, in the past five years, there has been a trend among VC firms to become more stage generalists rather than stage specialists when selecting potential start-ups. This trend is even stronger in the US than in Switzerland, with US VC firms being more stage generalists than Swiss VC firms. One possible reason for that is that the Swiss VC ecosystem is still developing, and the first funds raised by VC firms tend to be smaller, leaving little room for late-stage investments. However, the movement in terms of stages of investment mentioned by the majority of Swiss VC firms, demonstrate this development. Moreover, another difference is that the average deal size in Switzerland is approximately half of what it is in the US across all stages (seed till series C). In addition, the investment pattern differs, with Swiss-based VC firms being more active or stronger in the earlier investment stages than US VC firms in terms of number of deals and amounts invested per stage.

Second, differences can be observed regarding the post-investment phase. While Swiss VC firms are relatively active in terms of strategic involvement with their portfolio companies, they are not as active as US VC firms at the operational level of start-ups. One potential reason for this difference can be found in the backgrounds of venture capitalists between the US and Swiss VC industries. On average, US VC firms employ more former entrepreneurs than Swiss VC firms, who possess expertise in venture building. As a result, US VC firms exhibit a more co-entrepreneurial and hands-on approach compared to Swiss VC firms. In addition, the potential impact of experience on post-investment value creation was observed in Switzerland, where activities increased the more experienced a VC firm was.

Last but not least, the exit from a portfolio company is another crucial phase for a VC firm. A trade sale seems not only the most common exit scenario in Switzerland, but also in the US. However, US VC firms tend to have stronger and more direct contacts with potential buyers than Swiss VC firms, who often rely on the involvement of M&A advisors. This difference may be attributed to the relatively limited exit experience of Swiss VC firms.

In conclusion, considering all three phases, there is still a notable difference in how venture capitalists conduct business compared to the more experienced US VC industry. However, it appears that the VC industry in Switzerland is still evolving and continues to gain experience, perhaps eventually closing the gap with the US VC industry. In any case, the trends are pointing in a similar direction.

Despite the sound conclusion, some limitations are necessary to consider. First, next to the fact that the VC industry is highly cyclical according to Lerner (2002, pp. 37–38), the interviews were conducted at a single point of time (cross-sectional). Thus, since the Swiss VC ecosystem is still evolving, interviews at a different point in time could yield varying results. Moreover, the limited number of interviews precludes overly broad generalizations. Finally, Manigart et al. (2002, p. 298) highlighted the significant impact of economic, legal, institutional, and cultural differences on the operational landscape of venture capitalists, meaning that the all-encompassing conclusions drawn from the US VC market may potentially not be generally applicable to the Swiss VC industry.

Furthermore, apart from or because of limitations, further research attempts could prove beneficial to literature. One area for possible future research is to incorporate return on investment as a variable. As the findings reveal, US VC firms employ comparatively more staff with scientific degrees. According to Dimov and Shepherd (2005, p. 16) this fact results in a higher percentage of successful investments for VC firms. Based on the finding of these researchers and the results of this paper, it could be investigated whether this is true for the Swiss VC industry by analyzing the return differential. In addition, future studies could expand the population for interviews and quantitative studies to achieve statistical generalizability. Moreover, since the reason for the difference in responses to the question of whether to focus on a start-up that shows positive signs or a start-up that is at risk, could not be determined, there is room for future studies that could incorporate return on investment into the equation to determine which approach is more successful.

Finally, practical implications can be derived from the results of this study. The outcomes are particularly beneficial for the VC industry in Switzerland, as they suggest that diversifying the VC team and adding more individuals with scientific and portfolio company backgrounds has a positive impact on deal flow generation and post-investment involvement. In this way, VC firms cannot only better absorb the knowledge generated by universities, but also provide targeted support to start-ups along the way, ultimately creating jobs and fostering innovation. In addition, the results indicate a lack of late-stage VC supply in Switzerland compared to the US. By responding to this finding, the VC market in Switzerland may be able to further enhance the favorable climate for entrepreneurs. Also, this study has highlighted that the Swiss VC market is still evolving in all three phases in scope, leading to a more interconnected industry that positively impacts each phase. In addition, the Swiss VC ecosystem tends to move away from a strong focus on early-stage investments to a more balanced investment approach, which may both strengthens the competitiveness of the Swiss economy and ultimately contributes towards economic growth.

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11. Appendix

11.1. Interview Guide

Deal Flow Generation & Selection

- How do you identify potential start-ups or how do you make the first connection?
- How early is the investment made?
    - What are typical investment criteria or minimums?
    - Do you do the due diligence of the respective technology yourself?
- How would you classify yourself?
    - Stage-Specialist vs. Multi-Stage
        - What stages?
    - Sector- Specialist vs. Multi-Sector
        - Which sectors?
    - Comparison first fund to current fund or funds planned in the future, is there a shift over time in terms of Stage?
- What kind of backgrounds do most of the staff have?
    - E.g., banking/finance backgrounds or natural science degrees?

Post-Investment Involvement

- How is «company building» attempted?
    - How do you add value?
- How often is there an exchange with the portfolio companies?
- How involved are you in day-to-day operations of the portfolio companies?
    - Are there concrete examples?
- Do you put more energy into winners or portfolio companies at risk?
- How long is the holding period on average of a start-up?

Exit

- What is the typical Exit strategy?

    - What ways are used?
- If trade sale, how do you find the right buyer?
- Do you have active networks with strategic buyers?
    - In which way does this influence your selection preferences?

11.2. Interview Request via Mail to VC Firms

Mail 1:

Grüezi Herr/Frau X

Gerne wende ich mich an Sie in Bezug auf meine Bachelorarbeit. Ich interessiere mich für die Start-Up Szene in der Schweiz sowie als SECA Member auch für die Venture Capital Branche. Dies hat mich dazu bewegt innerhalb meiner Bachelorarbeit dieses Themenfeld aufzugreifen. Betrachtet man die Venture Capital Branche in der Schweiz, ist X ein durchaus bekannter Player und daher für mich sehr spannend.

Zusammengefasst:

Ziel meiner Forschung
Grundlegen möchte ich die Vorgehensweise von amerikanischen Venture Capital Firms in den verschiedenen Phasen studieren (Deal Flow Generation & Selection, Post-Investment Involvement, Exit). Diese sollen sodann dem Schweizer VC Markt gegenübergestellt werden. Das finales Ziel ist einen Mehrwert für die Schweizer Venture Capital Landschaft zu schaffen. Im Grundsatz: Wovon können Schweizer VCs profitieren verglichen mit den amerikanischen Kollegen dank des ausgeprägteren und älteren VC Markt?

Ziel dieses Mails
Für die Gegenüberstellung meiner Resultate aus der empirischen Analyse, möchte ich Experten Interviews durchführen. Dabei wären Sie oder ein Partner von X natürlich ein prädestinierter Wunschkandidat. Wunsch wäre ein 30 – 45 minütiger Austausch telefonisch, elektronisch (Zoom/Teams) oder auch gerne physisch. Im Anhang finden Sie einige konkrete Fragesstellungen, es soll jedoch ein möglichst offener Dialog sein zu den einzelnen Phasen.

Zusätzlicher Mehrwert

Neben der Bachelorarbeit, bin ich bei der Credit Suisse im Corporate Banking tätig. Ich agiere innerhalb des internen Start-Up Hubs der CS und dediziere einen Grossteil meiner Zeit für die Begleitung diverser jungen Firmen. Sei dies mit persönlichem Netzwerk, Zugang zu Währungsabsicherungsthematiken und im besten Fall mit einer Early-Stage Fremdfinanzierung bereits vor Break-Even. Entsprechend wäre ein Austausch/Kennenlernen zusätzlich spannend, da ich immer wieder interessante Start-Ups begegne, welche auf der Suche nach VCs sind. Andererseits gibt es auch die Möglichkeit, dass man bereits bestehende Portfoliofirmen mit Fremdkapital noch einen extra Schub gibt.

Mögliche Zeitfenster

Ich bin flexibel für einen telefonischen, elektronischen (Zoom/Teams) oder physischen Austausch. Falls Sie für einen solchen Austausch bereit wären, was ich natürlich schätzen würde, können Sie gerne ein Datum und Zeitfenster aussuchen. Ich passe mich gerne an Ihren Terminkalender an.

Ich würde mich natürlich über einen Austausch freuen! Anderenfalls begegnet man sich eventuell mal an einem Event 😛

Freundliche Grüsse
Rafael Fahr

079 944 65 42
fahrraf1@students.zhaw.ch

<u>Mail 2:</u>

Grüezi Herr/Frau X

Gerne würde ich kurz verschiedene Alternativen zu meinem erstem Mail anbieten/vorschlagen.

- Telefonischer Austausch 20 Minuten

- Interview/Telefon mit einem erfahrenen Mitarbeiter/Partner von Ihrem Venture Capital

Betreffend Timeslot oder Datum überlasse ich Ihnen gerne die Entscheidung. Ich würde mich entsprechend anpassen. Ich bin mir bewusst, dass es der Terminkalender nicht immer hergibt, schätze es daher umso mehr, falls man sich finden würde. 😃

Freundliche Grüsse
Rafael Fahr

<u>Mail 3:</u>

Grüezi Herr/Frau X

Wie das Motto von den meisten Start-Up’s ist es auch meines: Nie aufgeben!

Daher möchte ich mich nochmals kurz bei Ihnen melden. Hätten allenfalls Sie oder ein Partner von Wingman 20 Minuten Zeit für einen kurzen Austausch via Zoom/Teams?

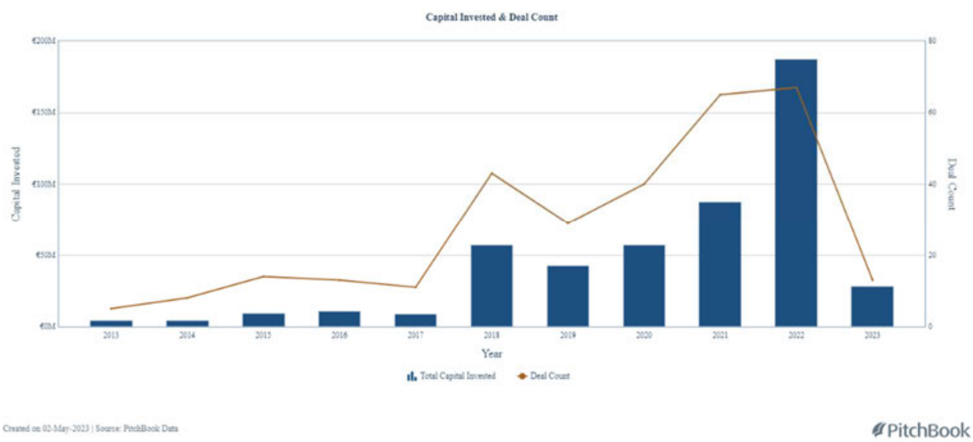
Dies ganz mit dem Ziel eine aussagekräftige Bachelorarbeit zu erarbeiten und der Venture Capital Community in der Schweiz hoffentlich einen kleinen Mehrwert zu erbringen. Ich würde es sehr schätzen.

Ich würde mich freuen von Ihnen zu hören.

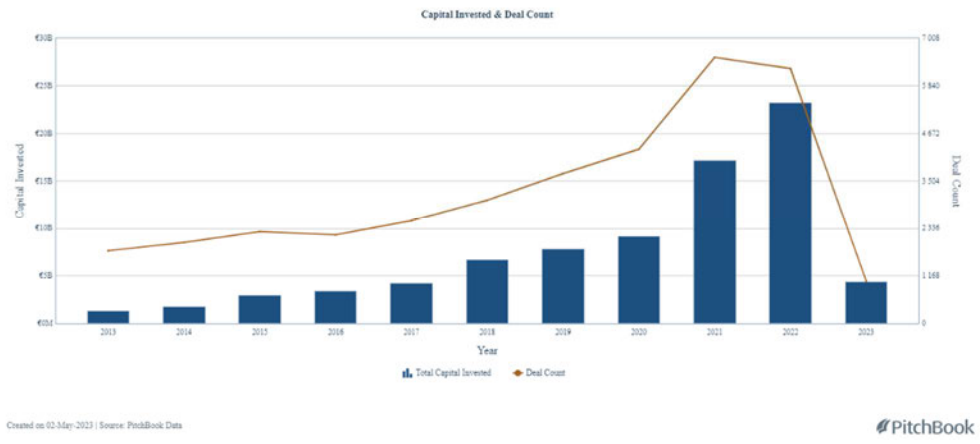
Freundliche Grüsse
Rafael Fahr

11.3. Charts Quantitative Analysis in section 7.2.

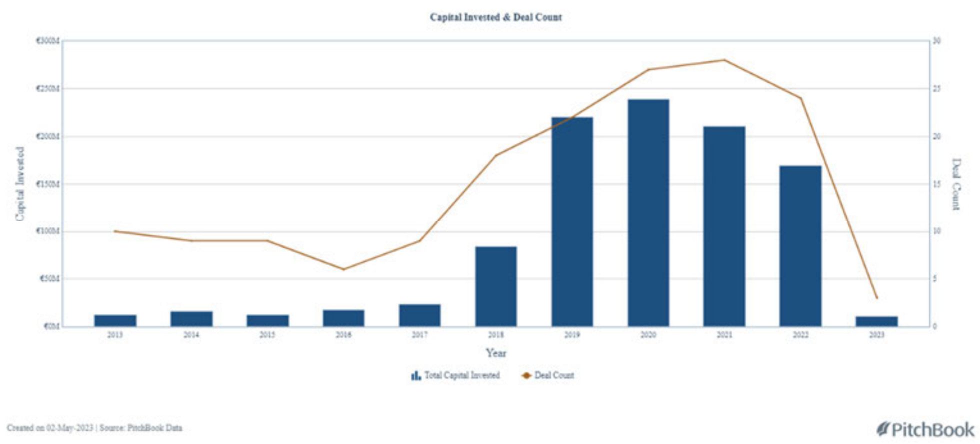
- Switzerland, Seed Stage



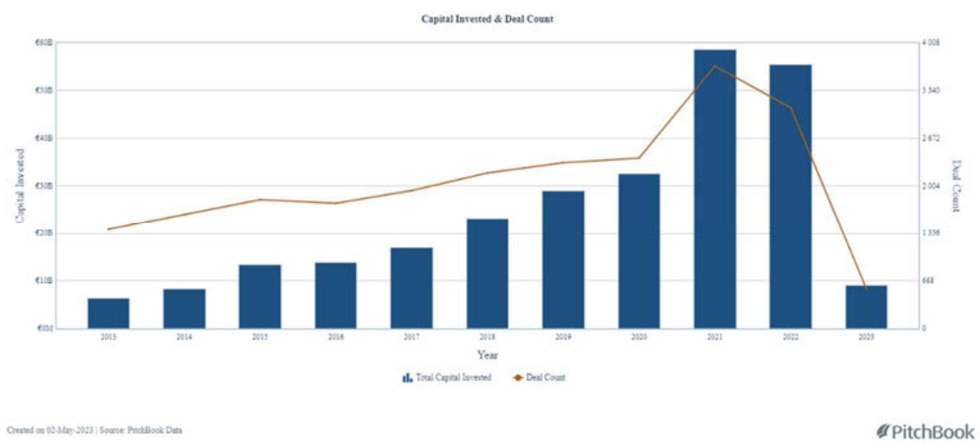
- US, Seed Stage



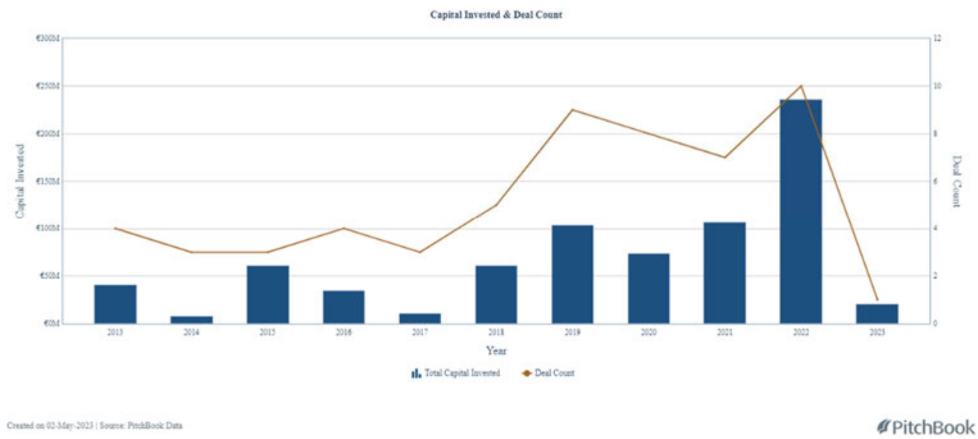
- Switzerland, Series A



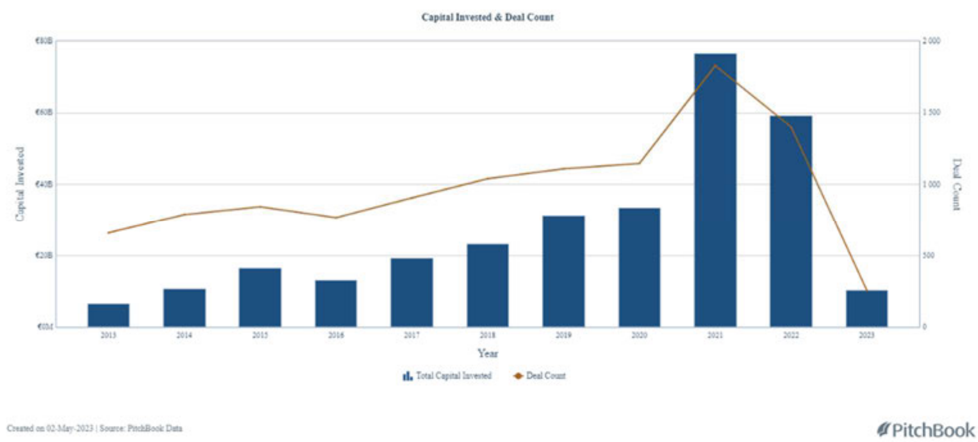
- US, Series A



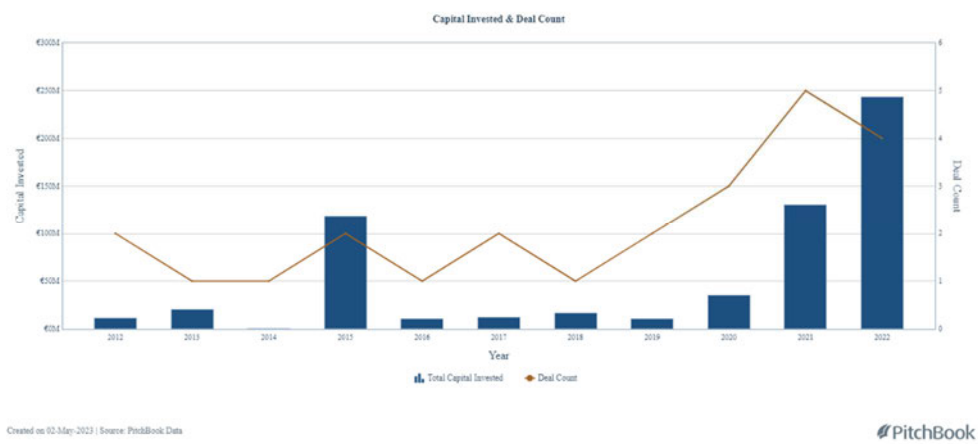
- Switzerland, Series B



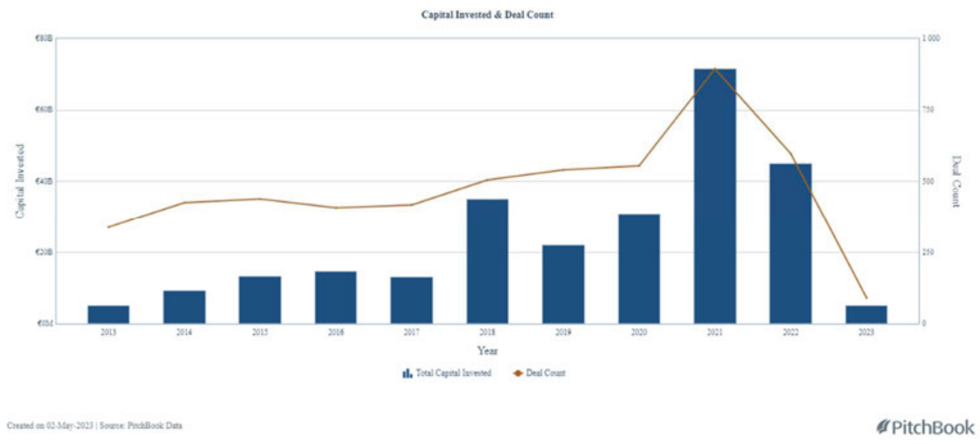
- US, Series B



- Switzerland, Series C



- US, Series C



11.4. Presentation Interview Partners

11.4.1. Mutschler Ventures AG

Founded in 2007, Mutschler Ventures AG has 16 years of experience in the venture capital industry. Initially, the VC focused on digital business models and platforms. Meanwhile, the investment focus was broadened to new key technologies such as blockchain, software, mobility, robotics and fintech. Mutschler Ventures invests in early stages up to and including Series A, whereby participation in subsequent rounds are possible. The venture capital firm sees themself as actively performing “company building” together with their portfolio companies. The portfolio of Mutschler Ventures AG counts 38 companies, of which 7 are from Switzerland. The portfolio consists of companies from Germany, Israel, United States of America. Mutschler Ventures AG has a good track record and has already accompanied start-ups from the beginning to the IPO. My interview partner is Sylvie Mutschler. She is shareholder and board member of Bergos AG an independent Swiss private bank and studied at the University of St. Gallen as well as Wharton School of Economics. Furthermore, Sylvie Mutschler founded 1990 a fashion chain for women’s underwear and has start-up experience.

11.4.1.1. Interview Transcript – Mutschler Ventures AG

Interviewer:

Wunderbar! Sonst würde ich starten voran erstmals mit der ersten Phase. Das wäre eigentlich wie man die jungen Firmen auch erkennt wie man mit denen ins Gespräch kommt und wie man da den ersten Kontakt auch herstellt?

Interviewee:

Das ist jetzt so das ich darf sagen, dass mitlerweile viele Start-Ups auf uns zukommen, wir sind jetzt seid 16 Jahren auf dem Markt und irgendwo gibt es denn auch das sogenannte Netzwerk in dem ich glaube auch jetzt relativ sichtbar sind in Deutschland und in der Schweiz, so dass wir relativ viele Anfrage haben. Entweder blind, also wo einfach hineinkommen. Jedoch qualitativ besser sind durch unseres Investoren Netzwerk und auch die Fonds und Angels, mit denen man zusammen investiert.

Interviewer:

Erkennen sie da Unterschiede zwischen Deutschland, Schweiz oder ist das relativ ähnlich?

Interviewee:

Ich glaube zwischen Deutschland und Schweiz ist realtiv ähnlich. Deutschland ist nochmal sehr viel grössere Community. Die hat sich in die Schweiz über die letzten sechs sieben Jahre zwar auch aufgebaut. Einige Player und verschiedene VCs wo auch in der Schweiz besonders tätig sind. Aber vom funktinoieren tut es eigentlich genau gleich.

Interviewer:

Und nun zum nächsten Schritt, wenn eine solche Unternehmung erkenn worden ist und das Interesse besteht, die ganze Due Dilligence Prozess, wie funktioniert das?

Interviewee:

Ja das machen wir alle selber, da gibt es verschiedene Punkte auf diese wir achten. Und nur wenn man selber so gut verstehen, oder wir glauben das wir es verstehen, nur dann kommt es für uns in Frage. Manchmal tauschen wir uns mit anderen Investoren aus. In der Regel geben wir kein Geld an Start-Ups wo wir nicht verstanden haben und nur basierend auf dem Cap-Table.

Interviewer:

Und dies geht hinunter bis zur Technologie zu vestehen und nicht nur den Markt?

Interviewee:

Da gibt es ganz viele Ebenen. Die Technologie als solches muss man natürlich so verstehen, dass man die Relevanz von dem versteht, den Markt verstehen also auch den

Wettbewerb und auch die Relevanz von dem Markt. Also es kann eine sehr gut Idee sein, aber die hätten nur relativ geringe Relevanz im Gesamtumfeld. Wirtschaftlich müssen wir es verstehen, ob es etwas ist was skalierbar ist, nur für einen Markt oder etwas was man internationalisieren kann und dann auch in Relation zu dem was das Unternehmen an Geld benötigt und Bewertung.

Interviewer:

Machen Sie auch Lead Investments?

Interviewee:

Machen wir selber kaum. Also wir sind relativ frühphasig, also nie pre-Seed aber irgendwo zwischen Seed and Series A starten wir zwischen 1.5 – 3% und wir haben keinen Anspruch den Lead zu tätigen, aber wir sind aktive Investoren und bringen uns aktiv ein.

Interviewer:

Betrachtet man die letzten Jahre, wo würden Sie sich einordnen, eher Stage-Fokus?

Interviewee:

Ja wir haben einen Stage-Fokus zwischen Seed und Series A.

Interviewer:

Was für Beispiele gibt es hier, was muss ein Start-Up bereits mitbringen?

Interviewee:

Ja doch für uns brauchts mehr als nur irgendein Proof of Concept, weil wir auch sehen, dass viele da einfach auch leider ein bisschen in einer Traumwelt sind oder leben, also das was man will und das was man kann am Markt durchsetzten das ist nicht immer kompartibel. Wobei ich immer alle motiviere, weil ich es toll finde wenn jemand unternehmerisch tätig ist. Aber man braucht mehr als nur ein Proof of Concept und wir wollen sehen, dass da relevante Umsätze generiert werden können. Es gibt weniger Ausnahme im softwarebereich wo wir mal Ausnahmen gemacht haben, wo Umsätze zwar da gewesen sind aber nocht nicht relevant, wo wir aber sehen warum das so ist und auch wo die Möglichkeiten sind. Wir machen Referenzgespräch mit Kunde um das auch zu verifizieren. Also ja, wir müssen schon eine Traction sehen.

Interviewer:

Und über diese 16 Jahre, ist man da sich treu geblieben an dem frühen Stage oder gab es eine Wandlung?

Interviewee:

Ja also da hat es eine Wandlung gegeben. Früher haben wir noch früher investiert. Da waren aber auch andere Parameter vorhanden und auch der Wettbewerb ist noch nicht so gross gewesen. Da haben wir zum Teil in sehr sehr gute Ideen und sehr sehr gute Teams investiert und ein Beispiel ist die Sygnum Bank. Dort habe ich eine Vision gehabt aber eine ahnungsvolle Vision von Blockchain habe ich nicht gehabt. Aber ich habe die Relevanz von einer solchen regulierten Bank auf dem Bereich Blockchain, habe ich gemeint, das es eine Relevant hat und ich habe gesehen das es ein exterm erfahrenes Team ist, wo auch mit den nötigen Wertesystem ausgestattet ist und die waren auch nicht am Träumen und sie haben gehalten was sie versprochen haben.

Interviewer:

Haben Sie das Gefühl da gibt es noch eine gewissen Entwicklung wenn Sie in Zukunft schauen, dass man noch weiter zurückgehen mit der Stage?

Interviewee:

Nein eher nicht, also jetzt ist es so, das wir Umsätze sehen müssen. Sygnum hatte keine Umsätze, jetzt möchten wir das aber sehen. Und wir müssen eine Traction erkennen können und wir müssen wirklich eine Relevanz von diesem Business spüren können.

Interviewer:

Dann gibt es noch den Sektor, ist man da auch eher spezifisch oder Multi unterwegs?

Interviewee:

Wir sind relativ agnostisch unterwegs, in der Regel nichts wo stark reguliert ist. Also Fintech schauen wir sehr genau hin. Ausser Sygnum, aber auch da haben wir in zwei Phasen investiert, also zweite Investment erst gemacht als die Regulierung gekommen ist. Diese war dann auch glaubhaft auf dem Weg. Und Medtech. Da gibt es auch ein Beispiel in unserem Portfolio, aber das ist auch die Ausnahme. Dort braucht es auch riesen Beträge und da sind wir einfach auch zu klein. In der Regel sind wir in der

Software und Deep Tech Bereich unterwegs, weniger in einzelnen Produkten also z.B. E-commerce oder Hardwear.

Interviewer:

Okay, das heisst zusammenfassend, am Anfang war es breiter und nun spezialisiert man sich mehr?

Interviewee:

Ja, am Anfang ist es vorallem stark auch E-Commerce gewesen und das war auch toll, mit tollen Investment. Aber es hat sich einfach weiterentwickelt.

Interviewer:

Und Ihre Mitarbeiter, wenn Sie es einschätzen, ist es mehr Finanzlastig aus der Finanzwelt oder kommen sie aus dem technischen Bereich?

Interviewee:

Der einte ist Wirtschaftsingenieur und der andere hat ein Finanzbackground und beide sind analytisch extrem stark. Sie haben sich auch in die Materie hineingearbeitet.

Interviewer:

Nach dem Schritt des ersten Investments, kommen wir zum Company Building, was auch auf der Webseite beschrieben ist, wie definieren Sie das?

Interviewee:

Also eigentlich haben alle jungen Teams irgendwo Bedarf, also das kann auch sein bei Teambuilding, Finanzierungsrunden, in der Strategie und Entwicklung vom Produkt, da gibt es wahnsinnig viele Kontakte in die Industrie. Und je nach dem wo da Bedarf ist versuchen wir zu helfen. Wir sind nie operativ involviert, wir mischen uns da nicht ein, aber wir versuchen behilflich zu sein wo wir können.

Interviewer:

Wie oft ist der Austausch mit einem Start-Up?

Interviewee:

Relativ häufig bei vielen, da wo keine Notwendigkeit besteht, nerven wir auch nicht. Die solle arbeiten können, das kann sein 1x wöchtenlich, periodisch, dass kann auch sein alle 2 Monate oder 1x im Quartal.

Interviewer:

Was wird da besprochen?

Interviewee:

Wir besprechen da die Milestones, wo man sich da befindet. Die KPI und wenn diese alle stimmen und es läuft, dann müssen wir uns da nicht einmischen. Wenn es nötig ist und es auch gewünscht ist, oder wenn es nicht gewünscht ist aber nötig, dann greifen wir natürlich auch ein.

Interviewer:

Gibt es da Beispiele?

Interviewee:

Also wir haben schon gesehen, das jemand zum Beispiel sehr, Engineurs, Produkt sehr im Griff aber keine Management Erfahrung hat, oder Soft Skills fehlen. Da empfehlen wir, dass das Team ausgebaut wird und da dann jemand ist wo die Erfahrung mitbringt, um das Unternehmen in das Wachstum zu führen.

Interviewer:

Konnten Sie diese Person vermittelen oder was war Ihre Rolle?

Interviewee:

Wir haben die Thematik erkannt und haben bei der Suche mitgeholfen.

Interviewer:

Konzentriert man sich eher auf die, die gut laufen oder die, die schwächeln?

Interviewee:

Das ist auch eine berechtigte Frage, also wir versuchen die Zeit so zu allokiieren, wo es sich lohnt. Also entweder wenn es schief geht helfen, aber auf einen lamen Gaul die Energie verschwenden machen wir dann auch nicht. Wir schauen die, die in unserem Portfolio Wichtigkeit haben und von denen wir glauben das sie sich auch wirklich gut weiterentwickeln können. Wir nehmen zum Teil auch ein Sitz im Board ein.

Interviewer:

Und wie ist die Zusammenarbeit mit anderen Co-Investoren?

Interviewee:

Also für uns auch ein ernst zu nehmendes Kriterium, wer sind die anderen Investoren. Es gibt zum Teil leider auch Verterter von Fonds, welche dem Start-Up mehr arbeit machen, weil sie der Meinung sind sie sind der Geldgeber und Anforderung stellen, wo wir finden das es eher dem Team Zeit raubt als etwas bringt. Umgekehrt gemeinsam mit starken Invstoren kann man wirklich etwas fürs Team und mit dem Team erreichen.

Interviewer:

Machen Sie auch follow-on Investments?

Interviewee:

Ja, bis zum Schluss, also idealerweise Nein, das heisst das der Schluss im idealfall auch ein IPO ist und so. Also über Series C gehen wir in die Regel nicht mehr. Da wird es dann einfach zu gross. Das ist aber ein schönes Problem, also ich lasse mich gerne verwässern, wenn es dann soweit ist.

Interviewer:

Familiy Office, beeinflusst das den Zyklus, ein typischer VC Fond hat ja irgendwo 10 Jahre?

Interviewee:

Ist schwierig, 7-10 Jahre ist unsere durchschnittliche halte Periode. Wir haben Investments, die länger gehen, tatsächlich, wir haben auch solche die nur 6 Jahre gehen bis zum Exit. Also das ist der Nachteil vom Family Office und eigenem Geld, limited Funds irgendwo, und der Vorteil wir schauen ganz genau es ist das eigene Geld und hat auch mehr Flexibilität auch mal Ausnahmen zu machen, auch mal ein wenig länger zu machen oder nicht den Druck von einem typtischen Fund.

Interviewer:

Gehen wir sonst direkt zum Exit Thema. Was ist das typische Exit Szenario?

Interviewee:

Also entweder gibt es einen startegischen Investor aus der Industrie, für welchen dies jeweils spannend ist zu kaufen. Das ist das häufigste. Spannender Fall hatten wir, dass ein Venture von einer amerikanischen Firma gekauft wurde und die haben dann ein IPO gemacht. Das war wirklich spannend. Das sind die üblichen Wege, strategische Investoren, Private Equity oder IPO.

Interviewer:

Wird bereits beim Investment darüber nachgedacht was für ein strategischer Investor in Frage kommt?

Interviewee:

Zumindest muss man sich überlegen was könnt potenziell ein Exit sein. Für wenn könnte es interessant sein. Diese Überlegungen macht man sich schon und wie gross kann es eigentlich werden, um dann potenzielle Käufer zu finden. Dies ist dann aber nur eine Vision.

Interviewer:

Gehen Sie über eine Investment Bank oder haben Sie die Kontakte selber?

Interviewee:

Also wir sind meistens nicht die einzigen Investoren. Wenn es Richtung IPO geht, dann auf jeden Fall Investment Bank oder für M&A über ein M&A Advisor. Für strategische Investoren haben wir meistens auch einen M&A Berater drauf. Wenn es bis Series C geht, kennen wir auch Investoren, die es von uns abkaufen z.B. der nächste VC. Da haben wir unser Netzwerk und sprechen es auch an. Wir haben gerade so ein Fall bei Series B.

11.4.1.2. English Translation – Mutschler Ventures AG

Interviewer:

Wonderful! Otherwise, I would start ahead for the first time with the first phase. That would actually be how to recognize the young companies, how to get into conversation with them and how to make the first contact?

Interviewee:

That is now so that I may say that in the meantime many start-ups are approaching us, we are now 16 years on the market and somewhere there is also the so-called network in which I believe we are also now relatively visible in Germany and Switzerland, so that we have relatively many requests. Either blindly, so which simply come in. However, qualitatively better through our investor network and also through the funds and angels with whom you invest together.

Interviewer:

Do you see any differences between Germany and Switzerland, or is it relatively similar?

Interviewee:

I think between Germany and Switzerland is relative similar. Germany is a much larger community. This has also built up in Switzerland over the last six to seven years. Some players and various VCs where also in Switzerland are particularly active. But in terms of how it works, it's actually exactly the same.

Interviewer:

And now to the next step, if such a venture has been identified and there is interest, the whole due diligence process, how does that work?

Interviewee:

Yes, we all do that ourselves, there are different points on which we pay attention. And only if you understand it so well, or we think we understand it, only then it comes into question for us. Sometimes we exchange information with other investors. Usually, we don't give money to start-ups where we don't understand it and only based on the cap table.

Interviewer:

And this goes down to understanding the technology and not just the market?

Interviewee:

There are many levels. Of course, you have to understand the technology as such in such a way that you understand the relevance of it, understand the market, i.e., also the competition, and also the relevance of the market. So, it can be a very good idea, but it would have relatively little relevance in the overall environment. Economically we have to understand if it is something that is scalable, only for one market or something that can be internationalized and then also in relation to what the company needs in terms of money and valuation.

Interviewer:

Do you also do lead investments?

Interviewee:

We hardly do that ourselves. So, we are relatively early stage, so never pre-seed but somewhere between seed and series A we start between 1.5 - 3% and we don't have a claim to make the lead, but we are active investors and actively contribute.

Interviewer:

Looking at the last few years, where would you place yourself, more stage-focused?

Interviewee:

Yes, we have a stage focus between seed and series A.

Interviewer:

What examples are there in this regard, what does a start-up already have to bring to the table?

Interviewee:

Yes, but for us it takes more than just a proof of concept, because we also see that many people are simply living in a bit of a dream world, so what you want and what you can achieve on the market is not always compatible. I always motivate everyone because I think it's great when someone is entrepreneurial. But you need more than just a proof of concept and we want to see that relevant revenues can be generated. There are a few exceptions in the software area where we have made exceptions where sales have been there but not yet relevant, but where we see why that is so and also where the opportunities are. We make reference conversation with customer to verify that also. So yes, we have to see traction.

Interviewer:

And over these 16 years, have you remained true to yourself at the early stage or has there been a change?

Interviewee:

Yes, there has been a change. We used to invest even earlier. But there were other parameters in place and the competition was not yet as great. We invested in some very good ideas and very very good teams, and one example is Sygnum Bank. There I have had a vision, but I have not had a foreboding vision of blockchain. But I have seen the relevance of such a regulated bank in the field of Blockchain, I have seen that it has a relevance and I have seen that it is an extremely experienced team, which is also equipped with the necessary value system, and they were not dreaming, and they have kept what they promised.

Interviewer:

Do you have the feeling that there is still a certain development when you look into the future, that you can go even further back with the stage?

Interviewee:

No rather not, so now it's like we need to see turnovers. Sygnum had no sales, but now we want to see that. And we need to see traction and we need to really feel a relevance of this business.

Interviewer:

Then there is the sector, is one also rather specific or multi-sector on the way?

Interviewee:

We are relatively agnostic on the road, generally nothing where there is heavy regulation. So, we look very closely at fintech. Except for Sygnum, but even there we invested in two phases, so we only made the second investment when regulation came. This was then also credibly on the way. And Medtech. There is also an example in our portfolio, but that is also the exception. There, huge amounts are needed, and we are simply too small. As a rule, we are active in the software and deep tech area, and less in individual products such as e-commerce or hardware.

Interviewer:

Okay, that means in summary, in the beginning it was broader and now you specialize more?

Interviewee:

Yes, in the beginning it was mainly e-commerce and that was also great, with great investment. But it has simply developed further.

Interviewer:

And your staff, when you assess it, is it more finance-heavy from the finance world or do they come from a technical background?

Interviewee:

One is an industrial engineer and the other has a finance background and both are extremely strong analytically. They have also worked their way into the subject matter.

Interviewer:

After the step of the first investment, we come to Company Building, which is also described on the website, how do you define it?

Interviewee:

Actually, all young teams have a need somewhere, so that can also be in team building, financing rounds, in the strategy and development of the product, there are many contacts in the industry. And depending on where the need is, we try to help. We are never operationally involved, we don't interfere, but we try to be helpful where we can.

Interviewer:

How often is the exchange with a start-up?

Interviewee:

Relatively often with many, where there is no need, we also do not bother. The should be able to work, that can be 1x weekly, periodically, that can also be every 2 months or 1x in the quarter.

Interviewer:

What is being discussed there?

Interviewee:

We discuss the milestones, at which point they are. The KPIs, and if they are all right and things are going well, then we don't have to interfere. If it is necessary and desired, or if it is not desired but necessary, then of course we also intervene.

Interviewer:

Are there any examples?

Interviewee:

So we have already seen that someone, for example, engineers, product very under control but has no management experience or lacks soft skills. Then we recommend that the team is expanded and there is then someone who brings the experience to lead the company into growth.

Interviewer:

Were you able to mediate that person or what was your role?

Interviewee:

We recognized the issue and helped with the search.

Interviewer:

Do you tend to focus on the ones that are doing well or the ones that are weakening?

Interviewee:

This is also a legitimate question, so we try to allocate the time where it is worthwhile. So, either if it goes wrong help, but on a lame horse wasting energy we do not do that either. We look at those who have importance in our portfolio and from whom we believe that they can also develop well. We also partly take a seat on the board.

Interviewer:

And how is the cooperation with other co-investors?

Interviewee:

So for us also a criterion to be taken seriously, who are the other investors. Unfortunately, there are also representatives of funds, which make more work for the start-up, because they think they are the financier and make demands, where we find that it robs the team of time rather than brings something. Conversely, together with strong investors you can really achieve something for the team and with the team.

Interviewer:

Do you also do follow-on investments?

Interviewee:

Yes, until the end, so ideally no, which means that the end is ideally an IPO and so on.

So, we don't go beyond Series C as a rule. Then it simply becomes too big. But that's a nice problem, so I'm happy to be diluted when the time comes.

Interviewer:

Family Office, does that affect the cycle, a typical VC fund has 10 years somewhere?

Interviewee:

Is difficult, 7-10 years is our average holding period. We have investments that go longer, in fact, we also have those that go only 6 years until the exit. So that's the disadvantage of the family office and own money, limited funds somewhere, and the advantage we look very closely its own money and also has more flexibility to make exceptions, to make a little longer or not the pressure of a typical fund.

Interviewer:

Let's go directly to the exit topic. What is the typical exit scenario?

Interviewee:

So either there is a strategic investor from the industry for whom this is interesting to buy. This is the most common case. One exciting case we had was that a venture was bought by an American company, and they then did an IPO. That was really exciting. These are the usual ways, strategic investors, private equity, or IPO.

Interviewer:

Is thought already given to what kind of strategic investor might be considered at the investment stage?

Interviewee:

At least you have to consider what could potentially be an exit. For whom could it be interesting. One already makes these considerations and how big it can actually become, in order to find then potential buyers. But this is then only a vision.

Interviewer:

Do you go through an investment bank, or do you have the contacts yourself?

Interviewee:

So we are usually not the only investors. If it goes in the direction of an IPO, then definitely investment bank or for M&A via an M&A advisor. For strategic investors, we usually also have an M&A advisor on it. If it goes to Series C, we also know investors who buy it from us e.g., the next VC. We have our network there and we also approach them. We have just such a case with Series B.

11.4.2. Chi Impact Capital GmbH

Founded in 2017, Chi Impact Capital GmbH is a rather young venture capital firm with a specific target on impact investments. Thus, the focus lies on social and environmental impact value creation, where positive impact creation is an integral part of the VC. Chi Impact Capital GmbH possesses a thorough impact approach that outlines, evaluates, and communicates the impact goals for every portfolio company. Geographically, the VC focuses on European-based enterprises that provide transformative and tech-heavy scalable solutions. Currently, they have 6 portfolio companies, 2 of which originate from Switzerland and a third operates a subsidiary company in Switzerland.
Interview partner is Martin Moser. He is part of the Chi Impact Capital GmbH and holds the rank of Investment Associate. Before joining the venture capital firm, he worked at UBS AG in the Asset Management Private Equity Fund of Funds team and completed his master's degree in Banking & Finance at the Zurich University of Applied Sciences.

11.4.2.1. Interview Transcript – Chi Impact Capital GmbH

Interviewer:

Okay, wunderbar! Super, vielen Dank für deine Zeit. Sonst beginnen wir gleich mit der ersten Fragestellung. Grundsätzlich geht es um die erste Phase die Deal Flow Generation und Selection. Da wollte ich fragen wie ihr da vorgeht. Voran, vielleicht ganz am Anfang wie die Startups auch erkennt und die Verbindung herstellt wird?

Interviewee:

Ja, vielleicht kann ich zu Beginn noch sagen, von welche Unternehmen das ich bin. Chi Impact Capital und meine Rolle ist Impact investment Associate und eigentlich sind es zwei verschiedene Pfeiler wie wir das Sourcing betreiben. Einerseits proaktiv und andererseits reaktiv. Proaktiv heisst, es entsteht, dann alles durch unser Netzwerk, hauptsächlich auch durch das Netzwerk meiner Chefin. Auch eine grosse Hilfe ist unser Fund Advisory Board wo einige relativ bekannte Namen drin stehen die regelmässig mit mit Deals auf uns zukommen, die potenziell viel versprechend wären auch Co-

Investoren oder bereits aktuelle Investoren von unserem Fond schicken uns ab und zu Vorschläge die persönlichen Interessen entsprechen würden. Wir sind ein first time Fund wo alles High-Net-Worth Investoren drin sind, die auch privat ein gutes Netzwerk haben.
Und dann auf der reaktiven Seite schreiben uns auch viele Unternehmen von sich aus an, die unsere Homepage angeschaut haben oder oder sonst wo von uns gehört haben. Wir machen auch oft bei Wettbewerben mit, wo man Preise gewinnen kann und so Reichweite erhält durch die Organisationen. Zu guter letzt würde ich sagen wir haben noch sifted.eu, so eine Homepage wo wir eine jährliche Fee Zahlen, wo es um Start-ups in Europa auch generell oder nur im Impact Bereich geht. Diese Plattform screene ich regelmäss

Interviewer:

Und wenn es dann Richtungs Due Dilligence geht oder Prüfung von einem investment. Wie läuft das ab? Macht dir die jeweilige Due Dilligence komplett selber im Haus?

Interviewee:

Ja, das ist bei uns alles 100 Prozent in Haus. Die gesamte Due Dilligence. Speziell ist aber in unserem Fall, dass wir nie eigentlich Lead Investor sind, sondern immer ein kleineren Investor.

Sprich wir setzen eigentlich da nicht den Preis am Markt fest, sondern das macht der Lead Investor und das sind meistens auch grössere VC oder Private Equity Fonds mit mit viel grösseren Kapazitäten und Teams und wir sind dann sozusagen die Follower. Wir machen dann eine detaillierte Due Dilligence mit der Management calls, wir haben unsere eigene DCF Berechnung die wir machen, aber wir legen dann schlussendlich nicht den Preis fest. Ja, der Lead Investor hat da technical Due Dilligence oder spezifisch auf die Industrie des Unternehmens viel detailliertere, grössere Due Dilligence Berichte als wir.

Interviewer:

Kriegt ihr diese Bericht auch zu Lesen?

Interviewee:

Wir können ja, wir haben die Möglichkeit diese Berichte anzufragen im Normalfall und ja, das ist dann auch hilfreich für unsere Due Dillgence.

Interviewer:

Und wenn jetzt das Portfolio anschaut, von dem ersten Fond, wo platzier Ihr Euch in eurem Segment, eher Spezifisch auf einer Stage, also zum Beispiel early Stage oder spielt der Stage keine Rolle vom Start-Up?

Interviewee:

Ja also unsere Stage also ich würde sagen Stage Spezialist, ja würde ich uns klar einordnen und zwar mid-late Venture, early-growth Stage. Von der serienrunde her meistens ist es frühestens Pre-Series A, normalerweise Series A, maximal Series B.

Interviewer:

Und vom Sektor her, habt ihr da eine gewisse Industrie oder nicht?

Interviewee:

Da sind wir klar Multi-Sektor, wir haben eigentlich fünf Industrien oder Verticals in die wir investieren dürfen. Ja das ist auf unserer Homepage aufgelistet.

Interviewer:

Siehst du da allenfalls eine Verschiebung über die Zeit? Oder siehst du da vielleicht Potenzial für eine Verschiebung? Entweder im Sektor oder im Stage Bereich?

Interviewee:

Also ja wenn ich jetzt dann unseren zweiten Fund an die Strategie denke, die realistisch ist dann: Stage sehe ich keine Verschiebung und bei den Sektoren auch nicht. Wird gleich bleiben.

Interviewer:

Wenn wir ein bisschen so zum Team kommen oder den den den Mitarbeitern. Wie sieht da ein bisschen die Aufstellung aus, ist es mehr Finanzlastig oder mehr Natural Science?

Interviewee:

Ja, bei uns ist es relativ klar mehr finanzlastig

Interviewer:

Und wenn wir uns dann nachher zu der Post-investments Phase begeben. Seid ihr da aktiv am company building betreiben oder was ist eure involvement mit dem Startup?

Interviewee:

Ja bei uns speziell weil wir ein impact Venture Capital Fund sind, vor allem auf den impact Bereich unser company building abgestützt. Wir definieren beispielsweise mit den Portfolio companies bis zu drei Impact KPIs. Dann helfen wir Ihnen beim tracken, sei es CO2, ausstossreduktion oder was auch immer. Und ja da ist auf diesem Bereich liegt vor allem unser Fokus dann.

Interviewer:

Und wie sieht es aus mit dem Austausch? Wie oft oder wie regelmässig findet ein solcher Austausch statt?

Interviewee:

Ich würde sagen durchschnittlich mindestens einmal pro Woche pro company.

Interviewer:

Und wie wie tief geht man da in das tagesgeschäft hinein?

Interviewee:

Wir haben hier so einen Milestones Approach, das heisst zum Zeitpunkt der Investition legen wir Meilensteine fest, mit unseren Portfolio companies in allen Bereichen, zum Beispiel finanzielle Milestones wie Revenue goals oder wann das sie EBITDA positiv werden müssen oder dann auch operative Meilensteine wie je nach Unternehmen halt wann Forschungen & Entwicklung abgeschlossen werden muss oder das Produkt gelaunched werden muss und so weiter.

Interviewer:

Unterstützt Ihr zum dieser Ziele zu erreichen oder ist es meistens mehr eine Beobachtung?

Interviewee:

Unterstützung nicht direkt, für das sind wir einfach ein zu kleines Team. Wir haben auch beispielsweise ein Board Seat, nur bei einer Company, meine Vorgesetzte im Management Board. Da ist in einer sehr geringen Form operative Unterstützung da, aber meistens ist es nur so überwachen und um sie ja mit den Milestones quasi darauf hinzuweisen auf welchem, ob sie auf gutem Track sind um diese zu erreichen. Je nachdem können wir auch durch unsere Netzwerke externe Experten einbringen, die auch ein persönliches Interesse haben. Aber von unserer Seite eher beschränkt.

Interviewer:

Und wenn man jetzt den diese Meilensteine nicht erreicht oder erreicht, konzentriert ihr euch mehr auf die die gut unterwegs sind oder die die allenfalls die Meilensteine nicht erreichen?

Interviewee:

Ich würde sagen eher auf die, die die Meilensteine nicht erreichen. Denn wenn alle die Meilensteine erreichen, braucht es weniger von unserer Seite, dann läuft alles sowieso. Ja, eindeutig wenn sie eher kritisch dahstehen, geht die Energie in dieses Start-Up.

Interviewer:

Und am Schluss noch die letzte Phase. Wie stellt man sich ein typischen exit vor? Gibt es da von Anfang an eine Idee sobald man investiert?

Interviewee:

Ja, wir fragen bereits zum Zeitpunkt des Initial-Investments eigentlich wie wie die exit Strategie gemäss dem CEO oder dem Management, wie sie sich das vorstellen. Und oft haben Sie ja, ich würde sagen bei 90 Prozent der Fälle haben sie da schon klare Vorstellungen, ob es ein IPO werden soll oder durch einen strategic Buy-Out durch ein etablierten grossen Player im selben Marktsegment. Aber ja, wir haben noch keine Exits. Wir sind immer noch in der investitionspfase. Die Strategie stand jetzt ist meistens IPO oder strategic Buyer.

Interviewer:

Pflegt ihr da Kontakt Kontakte zu solchen potenziellen Exit-Buyern, zum Beispiel in euch in euren Industries?

Interviewee:

Zu potenziellen Käufern: also wir als Fund eigentlich nicht direkt, aber wir wissen, dass das Management unserer Portfolio companies, oft oder eigentlich immer in sehr engem

Austausch ist, auch mit dem Management dieser grösseren Unternehmen, die kennen sich jeweils sehr gut.

11.4.2.2. English Translation – Chi Impact Capital GmbH

Interviewer:

Okay, wonderful! Great, thank you very much for your time. Otherwise, let's start right away with the first question. Basically, it's about the first phase, the deal flow generation and selection. So, I wanted to ask how you guys go about that. First, maybe at the very beginning how the startups are also recognized, and the connection is made?

Interviewee:

Yes, maybe I can just say at the beginning which company that I am from. Chi Impact Capital and my role is impact investment associate and actually it's two different pillars of how we do sourcing. One is proactive and the other is reactive. Proactive means it originates all through our network, mainly also through my boss' network. Also, a big help is our Fund Advisory Board where some relatively well-known names are on it who regularly approach us with deals that would be potentially promising, also co-investors or already current investors from our fund send us proposals from time to time that would match personal interests. We are a first-time fund where all high-net-worth investors are in, who also have a good network privately.

And then on the reactive side, a lot of companies write to us on their own initiative who have looked at our homepage or heard about us somewhere else. We also often participate in contests where you can win prizes and get reach through the organizations. Finally I would say we have sifted.eu, a homepage where we pay a yearly fee, where it is about startups in Europe in general or just in the impact area. I regularly screen this platform.

Interviewer:

And if it then goes in the direction of due diligence or examination of an investment. How does that work? Do you do the respective due diligence completely in-house?

Interviewee:

Yes, it's all 100 percent in-house with us. The entire due diligence. But what is special in our case is that we are never actually the lead investor, but always a smaller investor.

In other words, we don't actually set the price on the market, but the lead investor does, and these are usually larger VC or private equity funds with much greater capacities and teams, and we are then the followers, so to speak. We then do a detailed due diligence with the management calls, we have our own DCF calculation that we do, but we then ultimately do not set the price. Yes, the lead investor has their technical due diligence or specific to the industry of the company much more detailed, larger due diligence reports than we do.

Interviewer:

Do you also get to read this report?

Interviewee:

We can yes, we have the possibility to request these reports in the normal case and yes, that is then also helpful for our due diligence.

Interviewer:

And if you look at the portfolio of the first fund, where do you place yourselves in your segment, rather specifically on a stage, for example early stage or does the stage not play a role of the start-up?

Interviewee:

Yes, so our stage, so I would say stage specialist, yes, I would clearly classify us as mid-late stage, early-growth stage. In terms of the series round, it's usually Pre-Series A at the earliest, usually Series A, maximum Series B.

Interviewer:

And from the sector, do you have some specific industry there or not?

Interviewee:

We are clearly multi-sector; we actually have five industries or verticals in which we are allowed to invest. Yes, that is listed on our homepage.

Interviewer:

Do you see a shift over time? Or do you see potential for a shift? Either in the sector or in the stage area?

Interviewee:

So, yes, if I think now then our second find the strategy that is realistic then: Stage I see no shift and with the sectors also not. Will remain the same.

Interviewer:

If we come a little bit to the team or the employees. What is the line-up there, is it more financial or more natural science?

Interviewee:

Yes, in our case it is relatively clear that the emphasis is more on finance.

Interviewer:

And when we then move on to the post-investment phase. Are you actively involved in company building or what is your involvement with the startup?

Interviewee:

Yes, in our case, especially because we are an impact venture capital fund, our company building is based primarily on the impact area. For example, we define up to three impact KPIs with the portfolio companies. Then we help them with tracking, be it CO2, emission reduction or whatever. And yes, this is where our focus lies.

Interviewer:

And what about the exchange? How often or how regularly does such an exchange take place?

Interviewee:

I would say on average at least once a week per company.

Interviewer:

And how deep into the day-to-day business do you go?

Interviewee:

We have a milestones approach here, which means that at the time of the investment we define milestones with our portfolio companies in all areas, for example financial milestones such as revenue goals or when they have to become EBITDA positive or then also operational milestones such as, depending on the company, when research & development has to be completed or the product has to be launched and so on.

Interviewer:

Do you support to achieve these goals or is it mostly more of an observation?

Interviewee:

We do not support directly; we are too small a team for that. It is only monitoring. We also have a board seat, for example, only at one company, my supervisor on the management board. There is a very small form of operational support there, but mostly it is just to monitor and to point out to them the milestones, so to speak, whether they are on a good track to achieve them. Depending on that, we can also bring in external experts through our networks who also have a personal interest. But from our side rather limited.

Interviewer:

And now, if you don't meet or reach those milestones, do you focus more on the ones that are doing well or the ones that are not meeting the milestones?

Interviewee:

I would say rather on those who do not reach the milestones. Because if everyone reaches the milestones, it needs less from our side, then everything runs anyway. Yes, clearly when they stand rather critically there, the energy goes into this start-up.

Interviewer:

And finally, the last phase. How do you imagine a typical exit? Is there an idea from the beginning as soon as you invest?

Interviewee:

Yes, we already ask at the time of the initial investment actually how the exit strategy according to the CEO or the management, how they imagine it. And often, I would say in 90 percent of the cases, they already have a clear idea whether it should be an IPO or a strategic buy-out by an established major player in the same market segment. But yes, we don't have any exits yet. We are still in the investment phase. The strategy right now is mostly IPO or strategic buyer.

Interviewer:

Do you maintain contact with such potential exit buyers, for example in your industries?

Interviewee:

With regard to potential buyers, we as a fund are not directly involved, but we know that the management of our portfolio companies is often or always in very close contact with the management of these larger companies, and they know each other very well.

11.4.3. Spicehaus Partners AG

Operating since 2012, Spicehaus Partners AG is a Swiss venture capital investor that focuses on early-stage companies in the technology sector with over 10 years of experience. If it is a start-up in the business to business (B2B) software universe that has successfully been able to deliver the proof of concept, then Spicehaus Partners is especially interested. The VC is committed to Switzerland and invests exclusively in Switzerland. The aim is to make Swiss technology companies internationally successful and thereby driving innovation in Switzerland. In total Spicehaus Partner has invested in 36 companies that are all domiciled in Switzerland. Interview partner is Jonas Brenner, who is an employee of Spicehaus Partners with the title of Investment Manager. Before Spicehaus Partners AG he studied Banking and Finance in Lucerne.

11.4.3.1. Interview Transcript – Spicehaus Partners AG

Interviewer:

In der ersten Phase, Deal Flow Generation, Selection, wie werden potenzielle Start-Ups erkannt und wie geht man vor, um die Verbindung herzustellen?

Interviewee:

Bei uns ist glücklicherweise recht viel via E-Mail oder durch die Website funktioniert viel. Das bedeuetet, dass die Start-Ups mehrheitlich auf uns zukommen oder uns anschreiben. Es kommt auch oft über das Netzwerk. Einer von unseren Gründern/Partner ist und war auch selber früher sehr aktiv innerhalb von Angel Investor Netzwerken. Irgendwann kennt man sich und dann hast du einen natürlichen Deal Flow. Aber wir tun auch zum Beispiel gängige Angel Netzworks wie zum Beispiel SICTIC nutzen. Recht viel davon ist noch zu früh für uns, aber trotzdem hat man sich so schonmal gesehen oder ich mach schonmal einen Vorab, auch wenn es noch nicht passt um zu schauen, wie es bei denen aussieht. Dies dient sicherlich auch zum uns irgendwo zu platzieren für später. Und ja aber auch sonst Augen offen behalten oder irgendwie es gibt irgendwelche News auf Start-Up ticker. Man kann sich nicht bloss darauf verlassen, dass alles zu einem kommt. Auch wenn der Grossteil und man muss schon sagen, auch sehr viel Gutes Zeug, einfach einem direkt zugeschickt wird. Wenn es im Internet ist, dann haben es schon irgendwie fünf sechs andere gesehen.

Interviewer:

Das bedeutet, meistens seid ihr reaktiv und ihr werden angeschrieben?

Interviewee:

Ja genau.

Interviewer:

Wie früh wird investiert, was sind so die typischen kriterien?

Interviewee:

Also für uns ist wichtig, dass der Proof of Concept erreicht wurde. Für uns ist es die Definition, dass bestehendes Produkt gibt, welches verkauft werden kann. Sicher kein ausgeforscht oder ausentwickeltes Produkt. Ich meine ein Produkte ist ja wahrscheinlich nie fertig in dem Sinn. Aber es ist schon so, dass es verkauft werden soll. Und auf der anderen Seite bestehende Kunden im Umfang so 200’000 bis 300’000 an Umsatz muss generiert worden sein. Einfach auch aus dem Grund, dass mir abschätzt können, ob der Markt bereits ist dafür zu bezahlen oder nicht.

Interviewer:

Und die Due Dilligence, wie geht ihr da vor, was wird da alles in-house gemacht?

Interviewee:

Also wir machen ganz grob einfach die wirtschafltiche Due Dilligence. Je nach Start-Up ist es umfangreich oder weniger umfangreich. Und ich meine wir haben eine Liste, was da alles dazugehört. Betreibungsregisterauszug, ein Business Plan, Produktbeschreibung, Tech-Roadmap aber auch bestehende Shareholder Agreements, wir schauen das Board an, gehen die letzten Board meeting Protokolle durch, aber auch wichtige Lieferanten und Kundenverträge, eigentlich alles was ein Impact auf das Unternehmen hat. Referenz Gespräche bietet sich natürlich auch an wenn die Umsätze vorhanden sind irgendwo mit den wichtigsten zwei Kunden zum Beispiel.

Interviewer:

Und die Technologie?

Interviewee:

Naja, es ist immer so, es kommt wirklich darauf an. Dadurch, dass die Start-Ups bereits Kunden haben, trauen wir es den Gründern auf jeden Fall zu, dass sie ein gutes Produkt haben oder ich meine sonst klar, wenn ein Kunde vor irgendwo weit im Ausland ist, dann nicht, aber wenn du wirklich Kunden hast, wobei du davon ausgehst, und wir haben ja auch die Referenzgespräche, die haben sich andere vergleichbare Lösungen angeschaut und haben sich für das beste entschieden, dann sind wir überzeugt, dass das Produkt funktioniert. Jetzt ist so, dass Tech Due Dilligence, bietet sich natürlich immer an. Viele Investoren machen das. Für uns ist ein bisschen das Gefühl, dass schlussendlich in der Tech Due Dilligence heisst es ja, ok das Produkt funktioniert. Letztendlich kann man es aber nie abschliessend sagen. Wir haben das Gefühl wir finden das im Gespräch mit dem Gründer meistens selber raus. Das sind oft Doktoranten von der ETH oder so, da kann man davon ausgehen, die wissen was sie machen. Aber logisch, wir schauen schon auch drauf, zum Beispiel jemand von unserem Advisory Board schaut es sich an oder ein Co-Investor. Je nach Deal ist es unterschiedlich.

Interviewer:

Was wäre so der Fokus in einem Satz zusammengefasst?

Interviewee:

Wir investieren vorallem in Software, B2B in der Schweiz mit Umsatz.

Interviewer:

Gehen wir nun einen Schritt weiter, wo würdest Du Spicehaus einordenen, Stage-spezifisch oder Multi-Stage?

Interviewee:

Also sicherlich Stage-Spezifisch, also uns gibt es irgendwo bei Seed. Das zweite Investment zieht sich dann in Richtung Series A, irgendwo da. Wir machen auch follow-on investments einfach bis zu maximal 1.5 Mio. pro Start-Up. Es kann über eine oder mehrere Runden verteilt sein. Meitens sind es 2 oder 3 Runden, wo das Volumen investiert wird.

Interviewer:

Hast du das Gefühl, dass der Stage Fokus sich über die Zeit verändert?

Interviewee:

Ja, gut letztendlich, gehe ich davon aus, dass wenn man ein entablierteren Investor ist, macht man einen grösseren Fund, wenn auch das interesse von Investorenseite da ist. Dann hat man einen grösseren Fund, und dann kann man nicht mehr gross frühphasig investieren mit halbe Million Tranchen, sondern diesen Fund mit grösseren Tickets investieren. Dann ist man automatisch bisschen später unterwegs. Series A oder noch später Series B. Das heisst, sollten wir unsere Fund nach oben fahren, ist es mehr realistisch, dass wir Multi-Stage werden. Aktuell, mit aktuellem Fond ist unser Ziel wirklich auf der Stage zu bleiben, wo man gerade ist.

Interviewer:

Und wenn es um den Sektor geht?

Interviewee:

Tech ist wohl ein bisschen zu ungenau für ein Sektor. Also man kann sagen wir sind Sektor agnostisch also verschiedene Sektoren bloss halt mit Ausnahme. Also Biotech zum Beispiel macht man nicht oder jetzt zum Beispiel Medtech. Wenn die jetzt neues Stetoskop entwickelt oder so, dann machen wir das nicht. Aber wenn sie Patienten vielleicht von A nach B sinnvoll allokieren, wie auch immer, dann machen wir es oder. Uns ist wichtig dass es ein ICT und das überbegriffe Digitalisierung oder sämtliche Sektoren in denen digitalisiert wird, dass ist wahrscheinlich für uns oder Fokus vielleicht wirklich Multisektor mit Tech angle.

Interviewer:

Gibt es in diesem Bereich allenfalls eine Verschiebung?

Interviewee:

Da bin ich mal auf jeden Fall sicher, dass man da kontant bleiben wird über die nächsten Jahre. Ich meine das was wir machen ist jetzt einfach Tech B2B. Aber ich sehe bei uns in absehbare Zeit nicht, dass wir Biotech investments machen

Interviewer:

Backgrounds, was für Backgrounds habt Ihr bei euch?

Interviewee:

Ich glaube von uns hat jeder Banking & Finance studiert, ich meine wir sind ein kleines Team mit 4 Leuten. 2x Banking und Finance und 1x glaub ich Economics und der andere auch in die Richtung. Alle kommen eigentlich aus dem Finance. Dadurch siehst du auch, dass wir kein Biotech investment machen. Hätten wir ein Partner mit Chemie oder Biologie Studium, würde es nahe liegen. Wir sind aber eher wirtlichschaflich orientiert, und sehen unser Impact eher in einem anderen Ort. Im Tech Bereich finde ich es eher abschätzbar, wenn man den Background nicht hat, als zum Beispiel in Biotech.

Interviewer:

Nächste Phase, nach dem Investment, wie versucht man mit der Portoflio Company zu interagieren und auch Company Building zu betreiben?

Interviewee:

Da sind mir sind schon aktiv. Nicht unbedingt im operativen Geschäft, sondern eher so im Bereich Beratung von strategischen Themen. Wir sind immer Board Observer und bei alle Meetings mit dabei und eigentlich gerade so Sachen, die du eigentlich mit dem Board besprechen würdest oder so oder so besprechen musst mit dem Geschäftsführer ist auch das was wir anschauen. Zum Beispiel sind es important hirings, Mitarbeiter Incentivierung aber auch die nächsten Schritte, das Budget eigentlich gerade so wie dann der Weg ist zu einem erwachsenen Unternehmen. Wir gehen nicht nur bloss auf ein Board meeting, mit manchen Gründern sind wir sehr sehr eng in Kontakt mit mehreren Kontaktpunkten unter der Woche und wenn es bloss ist, wenn man sich ein kurzes E-Mail schickt mit, hey denn haben wir eingestellt oder das haben wir erreicht. Aber natürlich auch auf der anderen Seite gibt es auch Start-Ups, von denen hört man nicht so viel. Wir sind da und eine Ressource, aber wir drängeln uns nicht auf. Wir sind im Board, wir kriegen alles mit und da geben wir auch wirklich Imputs rein und versuchen einen Impact zu haben. Aber wir sind nicht operativ tätig.

Interviewer:

Gibt es Beispiele, wo Start-Ups auf euch zukommen mit gewissen Themen?

Interviewee:

Das Financing Thema vorallem. Die meisten Tech Gründer stecken nicht so stark in diesem Thema, da helfen wir bei Devisen zum Beispiel. Aber auch so, wer gehe ich an in einem Unternehmen, wer ist Entscheidungsträger für sowas. Was auch noch wichtig ist für uns ist alles um das Thema Mitarbeiter. So wie mir es zumindest beobachten in der Schweiz hat man eher einen Zugang zu Tech Mitarbeiter aber schwierig Sales Mitarbeiter zum finden. Und einer von uns hat eine Dissertation zum Thema Mitarbeiterincentievierung geschrieben. Das Thema ist daher auch sehr nahe bei uns und auch da sagen wir okay, wenn es auch um Unternehmensanteile geht, über wie viele Jahre, wie hoch, welche aufspaltung beim Lohn. Also wirklich so die klassichen strategischen Themen wo man sich als ETH Abgänger nicht so befasst hat.

Interviewer:

Steckt man mehr Energie in ein Start-Up dass auf dem Winning-Trail ist oder allenfalls eher at Risk?

Interviewee:

Bei uns ist wirklich so, wir stecken da Zeit hinein, wo Zeit angefragt wird. Vielleicht sogar in die, die top laufen. Da ist man natürlich dahinter und schaut, wie kann es noch besser laufen. Da kommt der klassiche VC Ansatz zum vorschein, Bet on your winners. Das man versucht diese noch mehr zu pushen. Aber auch die, welche gerade in einer schwieriger Phase stecken und so, da halten wir uns nicht zurück und sagen, dass ist jetzt euer Problem. Sondern ja, immer strategisch mit dabei, bei denen die es wollen.

Interviewer:

Was ist so normalerweise die Halteperiode bei Euch?

Interviewee:

Ja da sind wir noch zu wenig lange dabei. Der Fond ist irgendwo 12 Jahren und je nachdem wann man reinkommt, bleiben vielleicht nur noch 9 Jahre übrig. Aber wenn jetzt irgendwie nach einem Jahr investment ein strategischen Investor oder was auch immer kommt und sagt ich kaufe den ganzen Laden, bei einer super tollen Bewertung, dann sind wir sicher nicht abgeneigt.

Interviewer:

Hattet ihr bereits gewisse Exits?

Interviewee:

Nein bisher noch keine Exits.

Interviewer:

Die strategischen Käufer, besteht hier bereits ein Netzwerk?

Interviewee:

Ja, also unweigerlich baut man sich ein Netzwerk auf und irgendwo einer der Studienkollegen ist in einer M&A Abteilung von einem Konzern. Das ist sicherlich so. Von demher Netzwerk ist da. Aber natürlich, wenn man 20 Jahre in der Branche ist, dann ist es nochmals was anderes.

Interviewer:

Bei der Due Dilligence, ist das Exit Szenario ein Bestandteil?

Interviewee:

Das ist sicherlich ein Thema. Darüber muss man sich gedanken machen. Es gibt viele Unternehmen die cool sind und was cooles machen. Das Ziel von uns ist aber ein Exit. Wenn du nicht weisst, wer es am Ende kaufen soll, dann bleibt bloss noch der IPO übrig. Und dies ist nicht bei jedem Busines Case absehbar.

11.4.3.2. English Translation – Spicehaus Partners AG

Interviewer:

In the first phase, Deal Flow Generation, Selection, how are potential startups identified and how do you go about making the connection?

Interviewee:

Fortunately, quite a lot via e-mail or through the website works a lot. This means that the majority of the start-ups approach us or write to us. It also often comes through the network. One of our founders/partners is and has been very active within angel investor networks. At some point you know each other and then you have a natural deal flow. But we also use common angel networks like SICTIC. Quite a lot of it is still too early for us, but nevertheless we have seen each other before or I make a preliminary even if it does not fit yet to see how it looks with them. This certainly also serves to place us somewhere for later. And yes, but also otherwise keep your eyes open or somehow there are any news on Start-Up ticker. You can't just rely on everything coming to you. Even if the majority and one must say, also very much good stuff, is simply sent to one directly. If it's on the Internet, then somehow five or six others have already seen it.

Interviewer:

That means most of the time you are reactive, and you are contacted?

Interviewee:

Yes, exactly.

Interviewer:

How early are investments made, what are the typical criteria?

Interviewee:

So for us it is important that the proof of concept has been achieved. For us it is the definition that there is an existing product that can be sold. Certainly not a researched or fully developed product. I mean a product is probably never finished in that sense. But it is already so that it is to be sold. And on the other hand, existing customers in the range of 200'000 to 300'000 in sales must have been generated. Simply also for the reason that I can estimate whether the market is already paying for it or not.

Interviewer:

And the due diligence, how do you go about it, what is done in-house?

Interviewee:

So we simply do the economic due diligence. Depending on the start-up, it is more or less extensive. And I mean, we have a list of everything that needs to be included. A business plan, product description, tech roadmap, but also existing shareholder agreements, we look at the board, go through the last board meeting minutes, but also important supplier and customer contracts, actually everything that has an impact on the company. Reference discussions are of course also available when the revenues are available somewhere with the most important two customers, for example.

Interviewer:

And the technology?

Interviewee:

Well, it's always like that, it really depends. Because the start-ups already have customers, we definitely trust the founders to have a good product or I mean otherwise clearly, if a customer is somewhere far abroad, then not, but if you really have customers, assuming, and we also have the reference talks, they have looked at other comparable solutions and have decided on the best, then we are convinced that the product works. Now is so that tech due diligence, of course, always offers itself. A lot of investors do that. For us it's a little bit the feeling that finally in the tech due diligence it says yes, ok the product works. But in the end, you can never say it conclusively. We have the feeling that we usually find that out ourselves in conversation with the founder. They are often PhDs from the ETH or something, so you can assume they know what they are doing. But logically, we also look at it, for example someone from our advisory board looks at it or a co-investor. It varies depending on the deal.

Interviewer:

What would be the focus summarized in one sentence?

Interviewee:

We invest mainly in software, B2B in Switzerland with sales.

Interviewer:

Now let's go a step further, where would you classify Spicehaus, stage-specific or multi-stage?

Interviewee:

So certainly stage-specific, so we're somewhere at seed. The second investment then moves towards Series A, somewhere there. We also do follow-on investments simply up to a maximum of 1.5 million per start-up. It can be spread over one or more rounds. Sometimes there are 2 or 3 rounds where the volume is invested.

Interviewer:

Do you feel that the stage focus changes over time?

Interviewee:

Yes, well, ultimately, I assume that if you are an established investor, you make a larger fund, if there is also interest from the investor side. Then you have a larger fund, and then you can no longer invest in large early stage with half-million tranches but invest this fund with larger tickets. Then you are automatically on the road a bit later. Series A or even later Series B. That means, should we increase our funds, it is more realistic that we become multi-stage. Currently, with the current fund, our goal is really to stay on the stage where we are.

Interviewer:

And when it comes to the sector?

Interviewee:

Tech is probably a bit too imprecise for a sector. So, you can say we are sector agnostic, so different sectors but with an exception. So, we don't do biotech, for example, or now MedTech, for example. If they develop a new stethoscope or something, then we don't do that. But if they allocate patients from A to B in a meaningful way, however, then we do it or. It is important to us that there is an ICT and the umbrella term digitization or all sectors in which digitization is taking place, that is probably for us or focus perhaps really multisector with tech angle.

Interviewer:

Is there a shift in this area?

Interviewee:

I'm sure that we'll stay in touch with that over the next few years. I mean, what we do now is simply tech B2B. But I don't see us making biotech investments in the foreseeable future.

Interviewer:

Backgrounds, what kind of backgrounds do you have with you?

Interviewee:

I think all of us have studied Banking & Finance, I mean we are a small team with 4 people. 2x Banking and Finance and 1x I think Economics and the other also in the direction. All of them actually come from finance. So, you can see that we don't do biotech investments. If we had a partner with a chemistry or biology degree, it would be obvious. But we are more economically oriented and see our impact in a different place. In the tech area I find it more assessable if you don't have the background, than for example in biotech.

Interviewer:

Next phase, after the investment, how do you try to interact with the Portfolio Company and also do company building?

Interviewee:

We are already active in this area. Not necessarily in the operational business, but rather in the area of consulting on strategic topics. We are always board observers and are present at all meetings and just things that you would actually discuss with the board or have to discuss with the managing director is also what we look at. For example, important hirings, employee incentives, but also the next steps, the budget, just how the path is to an adult company. We don't just go to one board meeting, with some founders we are very very close in contact with several contact points during the week and if it's just sending a short email with, hey we have hired or we have achieved that. But of course, also on the other side there are startups that you don't hear that much from. We are there and we are a resource, but we don't push ourselves. We're on the board, we hear everything, and we really put in our input and try to have an impact. But we are not operationally active.

Interviewer:

Are there examples where start-ups approach you with certain topics?

Interviewee:

The financing topic. Most tech founders are not so much into this topic, so we help with foreign exchange, for example. But also, who do I approach in a company, who is the decision maker for something like that. What is also important for us is everything around the topic of employees. As I observe it at least in Switzerland you have more access to tech people but difficult to find salespeople. And one of us has written a dissertation on the topic of employee incentivization. The topic is therefore also very close to us and also there we say okay, if it is also about company shares, over how many years, how high, which split in the salary. So, it’s really the classic strategic topics that that ETH graduates don't really deal with.

Interviewer:

Do you put more energy into a start-up that is on the winning trail or at best more at risk?

Interviewee:

With us it's really like that, we put time in where time is requested. Maybe even in those that are running at the top. Of course, we are behind it and look at how it can run even better. This is where the classic VC approach comes into play, bet on your winners. That one tries to push them even more. But also, those who are in a difficult phase and so, we do not hold back and say, that's your problem now. But yes, always strategically with it, with those who want it.

Interviewer:

What is so usually the holding period with you?

Interviewee:

Yes, we haven't been at it long enough. The fund is somewhere 12 years and depending on when you come in, maybe only 9 years remain. But if now somehow after a year of investment a strategic investor or whatever comes and says I buy the whole store, at a super great valuation, then we are certainly not averse.

Interviewer:

Have you already had certain exits?

Interviewee:

No, no exits yet.

Interviewer:

The strategic buyers, is there already a network here?

Interviewee:

Yes, so inevitably you build up a network and somewhere one of your fellow students is in an M&A department of a corporation. That is certainly the case. From there, the network is there. But of course, if you've been in the industry for 20 years, then it's something else again.

Interviewer:

In due diligence, is the exit scenario a component?

Interviewee:

That is certainly an issue. You must think about that. There are many companies that are cool and do something cool. But our goal is an exit. If you don't know who is going to buy it in the end, then all that's left is the IPO. And this is not foreseeable for every business case.

11.4.4. Serpentine Ventures AG

Serpentine Ventures AG is a Swiss venture asset manager with over 50 years of experience. During these 50 years the VC has made over 50 investments into start-ups ranging from pre-seed to Series B rounds, while the Seed stage has been the most popular one for investments. Serpentine Ventures runs a multi-fund strategy and thereby covers the whole spectrum of venture investments. Next to classic venture capital funds, Serpentine Ventures has its own venture builder, namely the Swiss Startup Factory, which spins off 2-3 companies per year. While the investment focus is predominantly on Switzerland, Serpentine Ventures has also made investments in Europe, Israel, and the US. The person being interviewed is Michael Stucky, who holds the position of Venture Partner at Serpentine Ventures. Additionally, he serves as a business coach for aspiring entrepreneurs at ETH in Zurich and Innosuisse. Moreover, Michael Stucky is the co-founder and Chairman of Auxivo AG, a spinoff from ETH that develops exoskeletons that provides shoulder support. Lastly, he is also a founding partner of Teggwings, an initiative of a venture capital fund with the goal to foster the growth of start-ups emerging form universities. Before joining Serpentine, Michael Stucky was co-founder and CFO of GlycoVaxyn AG, which was acquired by GSK in 2015.

11.4.4.1. Interview Transcript – Serpentine Ventures AG

Interviewer:

Was macht Serpentine zum potenzielle Start-Ups so früh wie möglich zu erkennen und wie stellt man die Verbindung her?

Interviewee:

Man muss ein wenig unterscheiden zwischen later-stage Investments und early-stage Investments. Man kann beide früh erkennen. Der Hauptteil von early-stage ist wirklich sehr gut vernetzt sein mit den Unis in der Schweiz. Das ist ETH, Uni Zürich, EPFL dort sind wir einerseits gutz vernetzt weil ich selber noch drin bin, aber auch oft an Anlässe, wo wir eingeladen werden. Oftmals auch Anlässe wo noch keine Firmen gegründet sind, sondern zum Beispiel ein Team von Forschern mit einer Idee. Dort möchte man schonmal die erste Beziehung aufbauen zu den future companies sozusagen. Dort ist ganz wichtig die Nähe zu diesen Ecosytem. Das ist Wahr für die Schweiz aber auch andere Ballungszentren in Europa, wo man die Universitäten hat. Das ist wirklich wichtig, einerseits physischen Präsenz und das andere ist das Netzwerk von Investoren oder Leute in den Incubators, die man persönlich kennt. Oftmals kommen die sodann auf einen zu mit etwas spannendem, was man sich sodann mal anschauen kann. Das ist sehr sehr stark vor Ort sein und Connections haben. Later-stage ist eher, dass man mit Investoren in der Schweiz oder Europa gute Beziehungen pflegt. Die sodann auf einen zukommen mit einem passenden Target, was nicht zu late stage ist aber genau zu uns passt. Man muss also den gegenseitigen Scope wissen, damit man weiss, ob die andere Partei oder auch wir mitmachen würden. Die früheren Sachen, dort machen wir meistens den Lead, daher ist die Proximity so wichtig, bei den späteren Sachen sind wir meistens eher Co-Investoren.

Interviewer:

Das heisst ihr werdet von anderen VCs sodann dazugenommen?

Interviewee:

Genau richtig, meistens für ein Syndicat werden wir angefragt.

Interviewer:

Investieren Early-Stage, Late-Stage, wie wird die Unterscheidung gemacht?

Interviewee:

Early-Stage ist klar pre-seed und seed. Wenn wir Anfangen mit Buchstaben, Series A, B oder C, dann gibt es grosse Unterschiede. Also es gibt Start-Ups mit einer Series A, die aber immernoch sehr Early-Stage sind. Es gibt aber auch schon Series A, welche sehr spät sind. Dort sind wir nicht dogmatisch. Es geht mehr um, wo steht die Firma? Wenn zum Beispiel eine Tech-company eine Series A durchführt für 10 Mio., um den US Markt angreifen zu können, dann ist es für uns schon eher later-stage. Will die haben ein funktionierendes Produkt, funktionierendes Business Model wahrscheinlich, in Europa, gute Kundenbasis und sind nur noch am expandieren. Das ist schon eher later-stage. Handkehrum hat man allenfalls eine Technologie, welche noch keine Revenues generiert, das ist dann schon eher early-stage, weil eben noch keine Revenues da sind.

Interviewer:

Gibt es gewisse Kriterien oder Minimums?

Interviewee:

Wir haben gewisse KPIs, bei welchem Umsatz einer davon. Wir haben einen einen

Rocky Fund, das ist so das pre-seed Vehikel und den Flagship Fund, das ist das Series A Vehikel. Im Rocky sind wir viel viel flexibler, einfach weil die allermeisten noch gar keine Revenues haben und es falsche KPIs wären. Dort sind andere Sachen: Potenzial von der Technologie, wie sieht das IP Portoflio aus, haben sie schon LOI von irgendwelchen potenziellen Partners oder Kunden. Beim Flagship Fund ist es eher so, dass man sagt, man braucht eine early Traction mit Revenues. Eine Zahl kann man aber so nicht nennen. Wir schauen vor Allem auf den Trend. Letztes Jahr 50‘000 Umsatz und jetzt dieses Jahr schon eine halbe Million, dann ist es immernoch wenig aber ein riesen Increase.

Interviewer:

Ein Schritt weiter, die ganze Due Dilligence, wird diese in-House gemacht oder wie ist man da aufgestellt?

Interviewee:

Wir machen sehr viel in-house, aber wenn es ganz spezifische Themen sind, wie Technologie oder Softwareplattformen, zum Beispiel Cybersecurity Company, wo wir schlicht und einfach das Know-How nicht gehabt haben, dann schauen wir, dass wir externe Experten beiziehen können. Diese ziehen wir auch aus unserem Netzwerk. Das können Uni-Professoren sein, Companies die ähnliche Sachen machen und es analysieren könnten. Vieles, so die ganze Legal und Financial Due Diligence machen wir selber. Wichtig oder extrem wichtig für uns ist mit Kunden oder potenziellen Kunden vom Start-Up zu sprechen. Das ist extrem wichtig, einer der wichtigsten Tests. In anderen Worten, würde jemand bereits sein dafür zu bezahlen? Das ist so der Check mit dem Markt.

Interviewer:

Ist die ganze Due Dilligence auch ein Tool, um andere Start-Ups zu identifizieren oder Leads zu generieren?

Interviewee:

Ja also wir machen Markt Raports und man kriegt so ein rechten Deep-Dive in gewisse Industrien. So sieht man die einzelnen Players und kann gut vom einten auf den anderen kommen. Wir haben auch schon Portfolio Companies von uns angefragt: Wär das etwas, was ihr in eurem Offering gebrauchen könntet? Also wir brauchen zum Teil auch unsere Portfolio Companies zum einen gewissen Teil unserer Due Dilligence abzudecken.

Interviewer:

Ihr habt bereits verschiedene Fond. Ist es eher Stage-spezifisch oder Multi-stage?

Interviewee:

Also wir haben vier verschiedene Funds, dadavon sind 3 Life-cycle Funds. Diese sind Stage-spezifisch. Ich habe den Rocky erwähnt, das ist wirklich sehr early stage: Pre-Seed, Seed. Der Flagship: Seed, Pre-Series A und Series A und dann haben wir den Growth Fund, das ist Series A+. Dann haben wir noch einen thematischen Fund, der nur spezialisiert ist auf Diabetes. Der Grund: wir haben einen sehr starken Partner mit Diabetes Zentrum Bern, wo die ganze technische Expertise mitbringt und dadurch auch das Netzwerk: potenzielle Kunden und potenzielle Exit Partner.

Interviewer:

Die verschiedenen Funds haben eine andere Ausrichtung. War das eine Entwicklung über die Zeit?

Interviewee:

Das war vielmehr eine strategische Diversifikation weil wir uns nicht nur als Single-VC positionieren wollen sondern den Approach von Venture Asset-Manager haben. Das heisst, aus unserer Sicht von unseren Investoren, wollte und will man aufzeigen: Hey, wir haben Vehikel für alle Phasen, früh bis spät und ihr als Invstoren könnt wählen, wo man investieren will. Entweder kann man sagen, da habt ihr 5 Millionen und wir als Serpentine machen die Allokation für euch oder man kann spezifisch sagen, in welche Phase man investieren möchte. Unternehmer, die nur ganz früh investieren wollen, weil es ihnen spass macht oder andere, die eher neu sind und dort investieren wollen wo es ein wenig „sicherer" ist mit later-stage Sachen. Wir können die ganze Palette anbieten.

Interviewer:

Wenn man die Frage umkehrt, einen Rocky Fund braucht nicht so viel Asset, um trotzdem in ein paar Firmen investieren zu können, auf der anderen Seite einen Growth braucht grosses Volumen. Fängt man da immer zuerst mit dem kleinen an und arbeitet sich hoch, nach dem Proof zu den grösseren Fonds?

Interviewee:

Es ist insofern bei uns ein Thema, am Anfang wo wir angefangen haben, beim Rocky da wollten wir die kleinen, schnellen Tickets haben. Parallel dazu, da haben wir gewusst, mit dem alleine können wir kein Venture Business aufziehen also haben wir geschaut, dass wir den Flagship Fund aufziehen können. Aber ja, wir haben doch 1.5 Jahre gewartet, learnings daraus gezogen und auch geschaut was fehlt im Markt, und was braucht es eigentlich. Und ja man weiss in der Schweiz, Early-Stage ist man gut aufgestellt, die späteren Phasen sind schwieriger. Genau das war auch der Grund, wieso wir mit dem Growth gekommen sind.

Interviewer:

Nun der Wechsel auf Sector spezifisch, gibt es da eine Ausrichtung?

Interviewee:

Wir sind realtiv offen aber was wir nicht machen ist Life Sciences. Einfach weil wir die Expertise nicht haben und es sind meistens auch andere Investment Zyklen und wir haben uns ganz bewusst dagegen entschieden. Aber sonst sind wir recht offen, was die Sektoren angeht, es muss ein wenig in unser Thema passen. Es muss etwas sein, was durchaus eher stark in Europa ist. Das muss nicht heissen, das die Portfolio Companies nur in Europa aktiv sind, aber es muss einfach Know-How sein, welches sehr gut mit Europa und den Stärken, welche man in Europa hat identifizieren kann.

Interviewer:

Gab es in diesem Bereich eine Entwicklung über die Zeitachse?

Interviewee:

Die Idee war immer, dass wir in Eurpa investieren, weil wir der Schweizer Markt sehr sehr gut kennen. Daher sind die ersten Investments eher in der Schweiz gemacht worden. Man hat dann aber schnell angefangen Investments in nahem Europäischem Ausland zu tätigen.

Interviewer:

Mehr ein wenig zu den Mitarbeitern, ist es stark Banking & Finance lastig?

Interviewee:

Wir haben ein gemischtes Team. 40% haben einen Scientific Background und der rest mehr ein Finance Background. Ich selber bin Unternehmer und ursprünglich ein Finance Background. Viele Partner sind oder waren selber Unternehmer und genau das ist es was wir an den Tisch bringen möchten. Den Mindset von einem Entrepreneur, Entrepreneurship. Das man selber weiss was es heisst selber eine Company zu finanzieren, was es heisst Kunden finden zu müssen, Leute einzustellen und Leute wieder zu entlassen. Das ist etwas, was wir gerne noch stärker vorantreiben möchten.

Interviewer:

Eine Phase weiter, wie wird versucht das ganze Company Building zu betreiben?

Interviewee:

Da ist es von Stage zu Stage unterschiedlich und auch von Company to Company. Es gibt Companies die haben ein sehr starkes Management Team und haben schon früh ein sehr starkes Board gehabt mit sehr viel Erfahrung. Dort ist es oftmals unses Netzwerk. Dies kann auf der Kundenseite sein oder auf der Investorenseite. Im operativen Teil (helfen mit Finanzpläne, Pitch-Deck, Pricing Model) wenig ein Thema. Viel von den Early-Stage ist genau das. Dort haben wir Leute bei uns, welche sehr gut sind im Modelieren, Pricing Strategien auszuarbeiten und wir haben auch neben dem Investment Arm bei der Swiss Venture Group auch der Get-Going Arm. Das ist eigentlich so ein CFO for hire und Accounting for hire, die bringen wir auch rein. Ganz wichtig oft bei Forschern, die sagen, ja Finanzen sind nicht so wichtig und je früher man es aufgleist, desto besser. Wir haben auch einen Legal Service Provider für unsere Start-Ups. Also es ist ein sehr Hands-on approach.

Interviewer:

Wie oft ist ein Austausch mit einem Portfolio Company & in welcher Form?

Interviewee:

Strukturierter Austausch ist minimum einemal im Quartal im Schnitt. Es gibt aber auch Phasen, in welchen wir alle 2 Wochen mit den Start-Ups zusammen sitzten. Der Austausch, der formelle, ist meistens nicht nur ein Telefon, sondern ein Workshop. Man verbringt einen halben Tag zusammen. Zum Teil haben wir auch KPIs, welche wir von den Start-Ups verlangen. Dann suchen wir uns zum Beispiel eine KPI raus und machen ein Workshop zu diesem KPI mit dem Start-Up. Das ist sehr fokusiert. Dann gibt es auch die Ad-Hoc Fälle, z.B. sie rufen und an und fragen nach Hilfe beim Pitch Deck für die nächste Finanzierungsrunde oder mit der Overall Story etc.

Interviewer:

Seid ihr im Board von den Companies?

Interviewee:

Ja, wir sind entweder im Board vertreten oder haben einen Board Observer seat.

Interviewer:

Steckt man mehr Energie in Winners oder mehr in die at-risk?

Interviewee:

Da muss man unterscheiden. Es ist ein Teil von unserem Job die Start-Ups erfolgreich zu machen. Es ist schon so, dass man versucht früh zu korrigieren, wenn man kann. Wenn man merkt es geht nicht, muss man die Zeit und Resourcen in die Winners investieren. Das gehört zum Investieren dazu, dass man auch mal falsch liegt. Dann muss man auch zum Teil mal sagen, sorry wir müssen nun den Fokus auf etwas anderes setzten. Tendenziell versuchen wir schon Winners zu untersützten. Was aber auch schwierig ist, ist Winners zu identifizieren, welche vielleicht gerade durch eine schwierige Phase gehen. Gerade jetzt, zum Beispiel, gibt es super Companies wo kämpfen, obwohl sie alles richtig gemacht haben. Genau dort zeigt es sich, ob man einen guten Investor ist und ob man: Stick to the people.

Interviewer:

Wie lange ist etwa die Halteperiode?

Interviewee:

Das ist extrem schwer zum sagen. Wir sind noch relativ jung auf dem Markt und die ersten Funds sind erst vor 2 Jahren entstanden. Das heisst wir kommen jetzt zum Ende der Investment Period. Es ist sehr schwierig, es kommt extrem auf die Stage an. Unsere Historie ist auch noch zu wenig lang.

Interviewer:

Wie weit geht ihr mit bei Follow-Ons?

Interviewee:

Es hängt natürlich stark von der grösse vom Fond ab. Wir haben natürlich pro Company eine gewisse Reserve vom Fond vorgeplant. Aber wir könnten zum Beispiel bei einer grossen Series A von 50 Millionen plus nicht wirklich mitreden, aber genau für das haben wir dann den Growth Fund. Dort ist es gut möglich, dass wir auch dann gut mitziehen können.

Interviewer:

Nächstes Thema: Exit. Überlegt man sich dieses Szenario bereits von Anfang an, was macht man sich dort für Gedanken?

Interviewee:

Wenn wir die Due Dilligence machen, dann ist die Competitive Landscape Analyse ein wichtiger Bestandteil. Genau dort ist die „Exitability" ganz klar ein Thema. Dort schaut man zum Beispiel im Markt was ist bei anderen Companies im selben Bereich gelaufen ist: Market Dynamics, Exit Partners etc. Das ist sicher ein Thema ja.

Interviewer:

Bedeutet das auch, dass ein Teil vom Netzwerk potenizelle strategische Investoren sind?

Interviewee:

Wir haben ein gutes Netzwerk im Schweizer Corporate Umfeld. Da haben wir einen regen Austausch und es können natürlich auch Leute sein für welche es eine interessante Company bei uns dabei hat aufgrund von der Technologie.

Interviewer:

Die Frage umgekehrt, wie stark beeinflusst der Austausch mit diesen Corporate die Investment Auswahl?

Interviewee:

Das gibt es so nicht. Wir treffen dies völlig unabhängig voneinander. Was wir natürlich anschauen ist, wie können wir ein Start-Up unterstützten mit dem Corporate Network. Das hat weniger aber mit dem Exit zu tun, sondern mehr mit Market Penetration.

Interviewer:

Hast du mit der Erfahrung im Silicon Valley etc. Unterschiede zur Schweiz erkannt in der VC Branche?

Interviewee:

Ja also es ist klar. Ich war drüben nicht VC aber ich habe Companies mitgegründet. Ich habe in der Schweiz hier Kontakt gehabt mit US VCs. Du merkst halt einfach, dass die das als Industrie seit 50 Jahre plus machen. Das ist das einte, also sie sind viel viel erfahrener. Dann kommt noch dazu, dass in den US und auch im angelsächsichen Raum ist Venture Capital einen normale Asset Class wie jede andere. Seien dies Aktien, Obligationen, klar ein bisschen weniger aber es ist eine accepted Asset Class. Und ich glaub der dritte Punkt und der wichtigste ist der Mindset. Es ist viel viel mehr getrieben von ehemaligen Unternehmern, so ist auch das Silicon Valley entstanden, von ehemaligen Unternehmern. Und genau so denken die auch. Viele sagen: What if everything goes right? Und bei uns ist die Mentalität eher, What could go wrong? Und man findet immer 1000 Gründe, wieso man etwas nicht machen soll. Das ist der fundamentale Unterschied.

11.4.4.2. English Translation – Serpentine Ventures AG

Interviewer:

What does Serpentine do to identify potential startups as early as possible, and how do you make the connection?

Interviewee:

You have to distinguish a little bit between later-stage investments and early-stage investments. You can recognize both early. The main part of early-stage is really being very well networked with the universities in Switzerland. That is ETH, University of Zurich, EPFL where we are on the one hand well connected because I am still in it myself, but also often at events where we are invited. Often also events where no companies have been founded yet, but for example a team of researchers with an idea. There you want to build up the first relationship with the future companies, so to speak. There, the proximity to these ecosystems is very important. This is true for Switzerland but also for other urban centers in Europe, where you have the universities. That is really important, on the one hand physical presence and on the other hand the network of investors or people in the incubators that you know personally. They often approach you with something exciting that you can take a look at. That is very much being on site and having connections. Later-stage is more about maintaining good relationships with investors in Switzerland or Europe. They then approach you with a suitable target, which is not too late-stage but fits us exactly. So, you have to know the mutual scope, so that you know whether the other party or we would participate. The earlier things, there we mostly do the lead, that's why proximity is so important, with the later things we are mostly rather co-investors.

Interviewer:

Does this mean that you will then be added by other VCs?

Interviewee:

Genau richtig, meistens für ein Syndicat werden wir angefragt.

Interviewer:

Invest early-stage, late-stage, how is the distinction made?

Interviewee:

Early-stage is clearly pre-seed and seed. If we start with letters, Series A, B or C, then there are big differences. So, there are start-ups with a Series A, but which are still very early-stage. But there are also Series A, which are very late. We are not dogmatic there. It's more about where does the company stand? If, for example, a tech company does a Series A for 10 million to attack the US market, then it is more later-stage for us. Will they have a working product, working business model probably, in Europe, good customer base and are just expanding. That is rather later-stage. On the other hand, if you have a technology that does not yet generate any revenues, that is more early stage, because there are no revenues yet.

Interviewer:

Are there certain criteria or minimums?

Interviewee:

We have certain KPIs, sales is one of them. We have a Rocky Fund, which is the pre-seed vehicle, and the Flagship Fund, which is the Series A vehicle. In the Rocky we are much more flexible, simply because most of them don't have revenues yet and it would be wrong KPIs. There are other things: potential of the technology, what does the IP portfolio look like, do they already have LOI from any potential partners or customers. With the Flagship Fund, it's more a case of saying that you need early traction with revenues. But you can't give a number like that. We mainly look at the trend. Last year

50'000 revenues and now this year already half a million, then it is still little but a huge increase.

Interviewer:

One step further, the whole due diligence, is that done in-house or how are you set up?

Interviewee:

We do a lot in-house, but if there are very specific topics, such as technology or software platforms, for example cybersecurity company, where we simply don't have the know-how, then we look to bring in external experts. We also draw these from our network. They can be university professors, companies that do similar things and could analyze it. We do a lot of legal and financial due diligence ourselves. Important or extremely important for us is to talk to customers or potential customers of the start-up. That is extremely important, one of the most important tests. In other words, would someone be willing to pay for it? That is the check with the market.

Interviewer:

Is all the due diligence also a tool to identify other startups or generate leads?

Interviewee:

Yes, so we do market reports, and you get quite a deep dive into certain industries. So you see the individual players and can easily get from one to the other. We have already asked our portfolio companies: Would that be something you could use in your offering? Well, we also need our portfolio companies to cover a certain part of our due diligence.

Interviewer:

You already have different funds. Is it more stage-specific or multi-stage?

Interviewee:

So we have four different funds, 3 of which are life-cycle funds. These are stage specific. I mentioned the Rocky, that's really very early stage: Pre-Seed, Seed. The Flagship: Seed, Pre-Series A and Series A and then we have the Growth Fund, which is Series A+. Then we have another thematic fund, which is just specialized in diabetes. The reason: we have a very strong partner with Diabetes Zentrum Bern, which brings all the technical expertise and therefore also the network: potential customers and potential exit partners.

Interviewer:

The various funds have a different focus. Was that a development over time?

Interviewee:

It was more a strategic diversification because we do not want to position ourselves only as a single VC but have the approach of a venture asset manager. That means, from our investors' point of view, we wanted and want to show: Hey, we have vehicles for all phases, early to late and you as investors can choose where to invest. Either you can say there you have 5 million and we as Serpentine will do the allocation for you or you can be specific in which phase you want to invest. Entrepreneurs who just want to invest very early because it's fun for them or others who are newer and want to invest where it's a little bit "safer" with later-stage stuff. We can offer the whole range.

Interviewer:

If you turn the question around, a Rocky Fund doesn't need so many assets to still be able to invest in a few companies, on the other hand a Growth needs large volume. Do you always start with the small one first and work your way up to the larger funds after the proof?

Interviewee:

It is an issue for us in that at the beginning when we started, with Rocky, we wanted to have the small, fast tickets. Parallel to that, we knew that we couldn't build up a venture business with that alone, so we looked to build up the Flagship Fund. We have waited 1.5 years, learned from the experience, and looked at what is missing in the market and what is actually needed. And yes, you know in Switzerland, early-stage is well established, the later phases are more difficult. That was exactly the reason why we came up with Growth.

Interviewer:

Now the change to Sector specific, is there an alignment there?

Interviewee:

We are relatively open but what we do not do is life sciences. Simply because we don't have the expertise and its mostly other investment cycles and we deliberately decided against it. But otherwise, we are quite open in terms of sectors, it has to fit a little bit into our theme. It has to be something that is definitely rather strong in Europe. That doesn't mean that the portfolio companies are only active in Europe, but it simply has to be know-how that can be identified very well with Europe and the strengths that you have in Europe.

Interviewer:

Has there been any development over the timeline in this area?

Interviewee:

The idea was always to invest in Europe because we know the Swiss market very well. Therefore, the first investments were made in Switzerland. But then we quickly started to make investments in other European countries.

Interviewer:

More a little bit about the staff, is it heavily banking & finance related?

Interviewee:

We have a mixed team. 40% have a scientific background and the rest more of a finance background. I myself am an entrepreneur and originally have a finance background. Many partners are or were entrepreneurs themselves and that is exactly what we want to bring to the table. The mindset of an entrepreneur, entrepreneurship. That you know what it means to finance a company yourself, what it means to find customers, to hire people and to fire people again. That is something we would like to push even more.

Interviewer:

One phase on, how do they try to do all the company building?

Interviewee:

It varies from stage to stage and also from company to company. There are companies that have a very strong management team and have had a very strong board with a lot of experience early on. There is often our network. This can be on the customer side or on the investor side. In the operational part (helping with financial plans, pitch deck, pricing model) not much of an issue. A lot of the early stage is just that. There we have people with us who are very good at modelling, working out pricing strategies and we also have besides the investment arm at Swiss Venture Group also the get-going arm. This is actually a CFO for hire and accounting for hire, we bring them in as well. Very important often with researchers who say, yes finance is not that important and the sooner you get it up and running the better. We also have a legal service provider for our startups. So, it's a very hands-on approach.

Interviewer:

How often is an exchange with a Portfolio Company & in what form?

Interviewee:

Structured exchange is at least once a quarter on average. However, there are also phases in which we sit down with the start-ups every 2 weeks. The exchange, the formal one, is usually not just a phone call, but a workshop. One spends half a day together. In some cases, we also have KPIs that we ask the start-ups to meet. Then, for example, we pick a KPI and do a workshop about this KPI with the startup. That is very focused. Then there are also the ad-hoc cases, e.g., they call us and ask for help with the pitch deck for the next round of financing or with the overall story, etc.

Interviewer:

Are you on the board of the companies?

Interviewee:

Yes, we are either represented on the board or have a board observer seat.

Interviewer:

Do you put more energy into Winners or more into at-risk?

Interviewee:

You have to distinguish between the two. Part of our job is to make start-ups successful. It's true that we try to correct things early on if we can. If you notice that it's not working, you have to invest time and resources in the winners. That is part of investing, that you are sometimes wrong. Then you also have to say, sorry, we now must focus on something else. We tend to try to support winners. But what is also difficult is to identify winners who are perhaps going through a difficult phase. Right now, for example, there are super companies that are struggling even though they have done everything right. That's where you find out if you are a good investor and if you can stick to the people.

Interviewer:

Approximately how long is the holding period?

Interviewee:

That is extremely difficult to say. We are still relatively young on the market and the first funds were created only 2 years ago. That means we are now coming to the end of the investment period. It is very difficult; it depends extremely on the stage. Our history is also not long enough.

Interviewer:

How far do you go with follow-ons?

Interviewee:

Of course, it depends on the size of the fund. We have of course planned a certain reserve per company from the fund. But we couldn't really have a say in a large Series A of 50 million plus, for example, but that's exactly why we have the Growth Fund. There, it's quite possible that we'll be able to pull along well.

Interviewer:

Next topic: Exit. If you consider this scenario from the very beginning, what thoughts do you have there?

Interviewee:

When we do the due diligence, the competitive landscape analysis is an important part. Exitability is clearly a topic there. For example, you look at what has happened in the market with other companies in the same area: market dynamics, exit partners, etc. This is certainly an issue, yes. That is certainly an area, yes.

Interviewer:

Does this also mean that part of the network are potential strategic investors?

Interviewee:

We have a good network in the Swiss corporate environment. There we have a lively exchange and of course it can also be people for whom it has an interesting company with us because of the technology.

Interviewer:

The question conversely, how much does the exchange with this corporate influence the investment selection?

Interviewee:

There is no such thing. We make these decisions completely independently of each other. What we do look at, of course, is how we can support a start-up with the corporate network. This has less to do with the exit and more to do with market penetration.

Interviewer:

With the experience in Silicon Valley etc., have you identified differences to Switzerland in the VC industry?

Interviewee:

Yes, so it's clear. I was not a VC over there but I co-founded companies. I have had contact with US VCs here in Switzerland. You just realize that they have been doing this as an industry for 50 years plus. That's one thing, they are much more experienced. Then there is also the fact that in the US and also in the Anglo-Saxon area, venture capital is a normal asset class like any other. Be it stocks, bonds, sure a little bit less but it's an accepted asset class. And I think the third point and the most important is the mindset. It's much more driven by former entrepreneurs, that's how Silicon Valley was created, by former entrepreneurs. And that's exactly how they think. Many say: What if everything goes right? And with us, the mentality is rather, what could go wrong? And you always find 1000 reasons why you should not do something. That is the fundamental difference.

11.4.5. VI Partners AG

In the year 2000, the team that established VI Partners AG joined forces to provide guidance to Venture Incubator, which was a funding organization initiated by ETH Zurich and supported by leading Swiss corporations. Hence, the founding members of VI Partners played an active role in constructing the lively Swiss venture capital ecosystem that we see today. Presently, VI Partners offer and manage venture capital funds that invest in technology and healthcare throughout Europe. Over the last two decades, the VC invested in 57 start-ups, of which two-thirds originated as spin-offs from Swiss universities. Over 50% of these investments were made during the seed stage of the underlying start-up. VI Partners sees themselves as partner, they wished they had in the early days. Diego Braguglia is the interviewee, who is Managing Partner at VI Partners and has his focus on healthcare. He has more than two decades of experience in venture capital, growing and exiting companies. Additionally, he served as chairman in various companies that either were acquired or had an IPO on Euronext. Before joining the venture capital industry, Diego Braguglia served as manager in several medical device and pharmaceutical companies and holds a master's in microbiology and PhD in Molecular and Cellular Biology.

11.4.5.1. Interview Transcript – VI Partners AG

Interviewer:

Am Anfang, kannst du allenfalls kurz einen Überblick oder Introduction geben?

Interviewee:

Seite 2002 mit VI Ventures sind wir zuständig für Healthcare Investments. Also Pharma, Biotech und Medtech. VI hat angefangen mit 100 Millionen Geld Evergreen Fund. Evergreen Fund bedeutet, dass wenn eine Firma verkaufen wird, bleiben die Proceeds im Funds und werden nicht ausgeschütet. Dahinter waren 10 Bluechip der Schweizer Industry also Novartis, Pictec, ABB, Schindler etc. Ende 2002 bis 2019 haben wir ungefähr 60 Investments gemacht. Eine Ausrichtung in Healthcare und eine in Deep-Tech. Von unsere Seite haben wir ungefähr 260 Millionen investiert. Wenn du die Firmen zusammenlegst und schaust, wie viel haben diese im Total aufgenommensind wir deutlich über 5 Milliarden, haben um die 5000 Arbeitsplätze kreiert und wir sind im 2019 gekommen. Das war das best-ever Jahr bei VI Ventures. Da haben wir in einem Kalenderjahr mehr als 70 Millionen Liquidität generiert mit zwei Verkäufe. Mit diesen Proceeds haben wir sogleich einen neuen Fund investiert. Da hat VI als Limited Partner investiert. Auch andere sind im Fund. Diesen Fund haben wir geclosed mit 110 Millionen.

Jetzt haben wir 12 oder 13 Firmen im Portfolio und ist von der Healthcare Seite praktisch fully invested. Und wir sind jetzt als wir sprechen jetzt auf die Strasse für eine neuen Fund im Bereich Schwerpunkt digital Healthtech. Und jetzt ein bisschen Zahlen zu geben. Man kann nicht über eine IRR reden, also man kann schon über eine IRR Rendite sprechen aber man zahlt die Rechnung nicht mit einer IRR, die zahlst du mit einem Multiple. Auch bei einem Evergreen, fragst du 5 Leute um diesen auszurchnen und du kriegst 5 verschiedene Ergebnisse. Wir haben das immer nur in realised Cash oder Cash gerechnet und das bedeutet haben wir ein Dollar investiert, wie viel sind zurückgekommen? Und bis jetzt realised sind wir auf 2,6 oder 2,7 und haben wir im Portfolio drin noch einige Milestones die kommen sollen und unrealisierte Firmen. Wir erwarten diesen Multiple zwischen 6 und 7 zu kommen.

Interviewer:

Dann würde ich zum «offiziellen» Teil übergehen. Vor allem ist eigentlich die Gundthematik der US Venture Capital Markt im Vergleich zum Schweizer VC Markt und ich versuche herauszufinden wie arbeiten die Amerikaner im Vergleich zu der Schweiz und gibt es allenfalls Themen die anders sind in den verschiedenen Phasen?

Interviewee:

Was ich Dir sage ist eher biased zum Biotech und Medtech Bereich und weniger Deep-tech. Ich glaube um Deine Frage, also USA vs. Schweiz oder US vs. Europa, weil Schweiz ist Europa. Ich glaub ich Rede vom Ende an und nicht Anfang, weil Deal Flow Generation, Deal Sourcing, Due Dilligende uns so ist sehr ähnlich. VC in den USA ist mehr als 100 Jahre, in der Schweiz ist jetzt 30 Jahre. So das ist ein kultureller Unterschied. Zweitens ist es in der USA hat sich so entwickelt, vor allem im zwei grossn Hubs. Das ist Region von Bosten, vor allem für den Healthcare und Kalifornien also Silicon Valley.

Aber was ist denn grössten Unterschied in der USA? Ersten ist der Markt also der Markt ist kontrolliert bei eine kleine Nummer von grossen Funds. Die sind super erfolgreich geworden. Zweites Element, den Preis von Deal ist sehr grosszügig also sehr hoch, verglichen zu Eurpa. Die Grösse von der Finanzierungsrunde ist auch grösser und die Philosophie von das Investment ist nicht, wie in Europa, man möchte eine gute Geschichte finanzieren. Das bedeutet eine Medikamente in Device muss es gut durch die verschiedenen Phasen gehen. In der USA ist es anders und was sich super ausgeprägt hat in die letzten Jahren sind die Faktoren: wie lang, wie schnell komme ich diese Firma auf einen NADAQ zu traden. NASDAQ kommt mit klassischen bedingten, die sind gleich für alle. Die Lock Periode zwischen 12 bis 18 Monaten und die Idee ist es muss eine Firma fähig sein so schnell wie möglich auf NASDAQ mit einem sehr hohen Premium. Der IPO wird sogar auch von den Investoren bezahlt, aber dann nach dem Lock Periode auch wenn die Resultate noch nicht da sind, will man dann alles verkaufen, um das Investment zu realisieren. Also das Projekt muss mehr oder weniger gut sein und es geht mehr darum, mit den richtigen Leuten zu machen. Also die successful senior Entrepreneur, die haben schon die Geschichte 2,3 Mal gemacht und die machen es ständig. Aber wenn du siehst, was haben die erfolgreich erreicht. Und erreicht bedeutet für mich das ein Medikament auf dem Markt ist und Sales macht und auf dem Markt überlebt, die Resultate sind super schlank. Und die Korrektur sind in den letzten 12 Monaten passiert, was ich als Bestätigung davon sehe. Das ist die Grundlagen für den Unterschied. Es gibt in der USA ein Markt, ein Stock exchange für technologische Werte. Das ist der Nasdaq, in Europa gibt es das leider nicht. Am Anfang haben wir gehabt in London. London macht es noch ein wenig aber da ist keine VC finanzierte Firma mehr an die Börse gegangen. Euronex ist sicherlich kein Markt für technologische Werte. In Den USA sieht du das sehr oft, da wird eine Firma mit einer ersten Finanzierungsrunde von ein paar Millionen ausgestattte, welche man noch nicht wirklich sieht, und dann kommen sie auf den Markt und boom hast du 40,50,60 Millionen Series A Finanzierung und mit dem Betrag gehen auf die Börse und auf die Börse heisst eigentlich nichts anderes als eine Finanzierungsrunde. Hier haben wir das nicht in Europa. Sehr oft diese Firmen haben einen klaren Weg, aber zum Teil nicht mal die Zulassung, also die Technologie hat die Zulassung noch nicht.

Interviewer:

Was ist dann bei euch so der meiste Exit oder das grösste Exit Szenario?

Interviewee:

Also für mich mehr als höchstens mein bevorzugten Szenario sind M&A. Aber in M&A gibt es Unterschiede. Ein Deal mit 500 Mio. mit Total Deal Value und kriegst 10 Mio. Signature Value upfront oder das gleiche Total Deal Value 250 Mio. aber hast Du 100 Mio. upfront, da würde ich sicher auf den 2 Deal gehen. Das ist das erste Exit Szenario.

Das zweite Szenario sind mehr Joint Venture mit dann eine Call Option die wir haben und das Dritte Szenario ist going Public.

Interviewer:

Beim M&A Deal, habt Ihr die Kontakte zum Käufer selber?

Interviewee:

Das ist ein Teil der Due Dilligence die wir machen. Also wenn wir eine Firma anschauen, ist es welches sind die potenziellen, strategische, logic Buyers? In welches Portfolio von einem grössten Buyer past es? Natürlich, das ist eine Vermutung und bisher hat es sich so wie geplant nie realisiert. Wir waren immer falsch. Aber nicht in dem Sinn das die Analyse/ Due Dilligence war nicht gut, aber den Käufer war immer jemand anders. Man kann es nicht lesen wie die strategischen Konzern Decision Making Prozess machen, was wir machen also das ist eine Arbeit, welche in die Due Dilligence einfliesst. In der Medizintechnik, die mehrere hunder Millionen Dollar zahlen können, sind nicht sehr viel. In der Pharma deutlich mehr. Aber es ist wichtig zu wissen. Und dann während der Investmentphase nachdem investiert, dass wir die Firma steuern und bewusst an diesen Türen klopen. Eim Deal kommt zu Stande wenn hast du den Top-Down and Bottom-Up Approach sich kreuzen. Was ist das? Die Wissenschaftler sprechen mit den Wisschenschaflter und den Top-Down wenn die Business Leute sprechen mit den Business Leuten von der Firma und dann geht es von oben nach unten und von oben nach unten. Das ist die Theorie in der Praxis funktioniert das nie, und es ist immer anders, aber irgendo in einer solchen Form.

Interviewer:

Wie würdest du sagen umgekehrt, beeinflussen die Gespräche mit dem potenziellen Käufer eure Entscheidung bei der Auswahl?

Interviewee:

Bei mir nicht. Ich gebe dir ein Beispiel jetzt, der ist aktuell, okay, es gibt jetzt für die Gentherapie, also Krankheiten die sind gekoppelt mit dem Gendefekt, da kannst du das Gen ersetzten. Zwei wege gibt es. Einer ist ein Virus, der andere ist ein modifiziereter Virus. Der eine erzeugt grosse Nebenwirkungen und Immunsystem Reaktionen. Der zweite bleibt sehr stabil. Sehr oft ist es one Shot. Beim anderen gibt es mehrere Produkte auf dem Markt und die funktionieren so-la-la. In den letzten Jahren wurden

Milliarden investiert in die so-la-la Produkte und ich erwarte jetzt, dass diese Bubble platz in nächster Zeit. Dort muss man unabhängig bleiben.

Interviewer:

Wie geht ihr vor um diese Firmen früher zu erkennen als vielleicht andere Investoren?

Interviewee:

Deine Frage suggeriert ob es Competition gibt. Und es gibt keine Competition. Also bis jetzt, ich bin jetzt seit 25 Jahren in dem Gebiet tätig. Ich würde einmal von meinem Deal herausgeschlossen, eine Firma in Basel und warum wurde ich ausgeschlossen, weil ist ein Amerikaner gekommen mit grossem Name und natürlich wenn die kommen mit 40 Millionen und wir nur mit 8 Millionen, dann hab ich kein Gewicht. Aber es gibt viel mehr Zusammenarbeit von Anfang an, weil es gibt eine Faustregel in dem Gebiet, dass alles kostet mehr und länger als gedacht. Da musst du noch genug dry powder behalten. So und sonst wie gehen wir vor. Also wir sind seit mehr als 20 Jahre unterwegs und sind sehr gut vernetzt mit den Hochschulen (ETH, EPFL) und den Techtransfer Offices dort. Wir sind sehr gut vernetzt mit die verschiedenen VCs, dass wegen Syndication Bedarf. Wir sind sehr gut vernetzt mit den verschiedenen Preisen, also die Preise, die jeder kennt. Vielleicht kennst du den Top 100 Competition und so weiter. Also ich und meine Partner sind hier in der Jury drin. Wir haben auch ein Netzwerk und mit der Zeit haben wir uns auf dem Mark einen Namen gemacht. Un dann natürlich würd ich sagen es gibt drei grosse Dealflows of Deals. Also wir sehen ungefähr 1000-1100 Pitch Decks pro Jahr. Wir sagen 80% von den Deals ist passiver Dealflow über unser Kontaktform auf der Webseite. Zweiten, 20% sind es 15% Referrals von anderen VC's von Business Angels, die wir gut kennen von former CEO's bei welchen wir investiert haben und die lezten 5% ist unser eigenes Netzwerk. Bis jetzt haben wir die Deals gemacht.

Interviewer:

Und jetzt wenn man mehr auf auf die Fonds selber geht, würdest du sagen es ist eher stage spezifisch oder sehr Multi-Stage?

Interviewee:

Also es ist Stage agnostisch. Wir machen kein Mezzanine, wir machen keine pre-IPO Rund. Aber es kann so früh sein, wie ein early Deal mit ein paar hunderttausend Franken oder es kann auch eine Series B oder Series C sein mit mehreren Millionen.

Also dort wir sind da eher opportunititsch. Natürlich musst du sehen je früher desto billiger, aber je früher auch mit grösserem Risiko. Dann muss ein bisschen das Gefühl haben und balancieren.

Interviewer:

Gab es da eine Entwicklung über die Zeit?

Interviewee:

Wir haben jetzt mit dem Evergreen angefangen und natürlich mit dem Evergreen hast du den Zeitdruck nicht. Jetzt mit dem anderen Fund, das ist ein closed-end also 10 Jahre plus zwei Verlängerungen von je einmal ein Jahr. Da musst du schon dich überlegen und sagen. Okay? Machst du nicht dann Year five eine Firma, die weisst dauert mindestens sechs Jahre. Weil wenn es mindestens 6 Jahre ist erwartet, dann dauert es sicher 8 oder 9. Also ich glaube, ein wichtiger Teil der Due Dilligence ist die Identifizierung von strategischen, logic Buyers, ein anderer Teil, das ganz wichtig ist, das ist wirklich Zeit, Time and Money to force the Exit anzuschauen. Das bedeutet wir schätzen wie viele dieses spezifischen Firmen brauchen in Zeit und in Geld bis die anerkennen wir als reif für eine Transaktion. Aber eben, das sind Simulationen.

Interviewer:

Sehr spannend und und vielleicht zur nächsten Phase wenn das das investment gemacht wurde. Wie stark involviert ihr euch? Wie wird die company building Betrieben in dem Sinn?

Interviewee:

Also wir definieren uns als active Investors. Das bedeutet wir investieren nicht nur Geld, wir investieren smart Money. Das bedeutet, was kommt auch mit neben Geld, ist die Erfahrung, Netzwerk und das setzten wir in die Firmen ein. Also wir sitzen praktisch ohne Ausnahmen in Verwaltungsrat entweder Board Member oder als Observer. Aber wir übernehmen keine Exekutive Funktion. Wir sind non-executive Director und es ist passiert, zum glück selten, wo wir sind den Lead investor und die Sache wird schief, dann haben wir ein Executive Director eingesetzt oder selber übernommen. Aber das ist sehr stark die Ausnahme. Für mich, wie ich arbeite mit Firmen die ich verfolge im Portfolio, ich habe ein Agenda Call, das ist jede Woche am Anfang. Also am Montag haben wir unseren Partner call aber am Montag oder Dienstag ich rufe jeden CEO von die Firma an. Das ist ganz einfach: Wie ist das Wochenende gegangen oder so oder es ist mehr tief. Wenn es Bedarf gibt dann treffen wir uns. Und der zweite Call ist auch auf einer wöchentlichen Basis. Dies ist mit dem Verwaltungsrat Präsident der sehr oft ein independent Person ist, und auch dort würde ich sagen 1x pro Woche oder alle 10 Tage. Wir möchten sehr nahe an der Entwicklung der Firma sein. Aber keine Management Ersatz oder so. Aber wenn es etwas passiert, dann sind wir sehr schnell dran.

Interviewer:

Und das Netzwerk von euch, betrifft das mehr für die Technologie?

Interviewee:

Von der Technologie sehr oft. Ich selber verstehe nicht immer alles bis ins letzte Detail. Ich habe meine PHD meistens im dem Bereich gemacht aber das ist mehr als 20 Jahre her. So ich hab ein bisschen den Faden verloren auf den Details. Aber ich verstehe overall was die machen. Aber die Diskussion ist nicht nur auf die Technologie es geht, hast du zum Beispiel eine wichtige Punkt in all diesen Firmen sind Healthcare Patent. Das ist super wichtig. Aber Patent ist auch sehr sehr teuer. Natürlich hast du CEOs die möchten alles in patentieren und hast im Budget Millionen für Patent, dann musst du dich überlegen ob es Wert ist. Die andere Sache ist general Management. Aber ich glaube normalerweise die Firmen, die haben den technischen Teil mehr oder weniger im Griff. Aber dann natürlich wenn kommst du ein CEO, der sagt er möchte jetzt in die Klinik gehen und machen wir jetzt vier klinische Studien in parallel, das kostet uns 100 Millionen, dann ja würde ich sehr gerne machen, aber dann musst du mir eine Lösung sagen, wie kriegen wir die 100 Millionen zum das finanzieren?

Interviewer:

Wird mehr Energie in Start-Ups on the Winning Track gesteckt oder die, die Probleme haben?

Interviewee:

Du bist noch genügend jung und nehme an du hast noch keine Kinder. Ich habe zwei 26 und 27. Und natürlich wenn ein Kind schön ist, hast du keine Probleme und keinen Aufwand. Das ist genau das gleiche mit Firmen. Also für mich das beste wäre, aber leider passiert es nie, das kriegst du eine Einladung 3, 4 mal pro Jahr. Okay das ist der

Verwaltungsrat dieser Firma und wir haben das und das gemacht. Dann gibt es ein schönes feines Essen, bist du in schönen Hotel in eine schöne Location. Das ist das was passiert bei Roche, Novartis oder sonst so. Das passiert bei uns nie. Wenn eine Firma gut läuft, dann hast du nicht sehr viel aufwand. Es ist wenn du Unruhe im Stall, dann hast du viel Aufwand. Jetzt zum Beispiel, ich sitze in 7-8 Verwaltungsräte, aber es gibt momentan 2 Firmen, die saugen mir 80% von meiner Zeit. Das bedeutet in den restlichen 20% sind es 5-6 Firmen. Also es hängt ein bisschen ab. Ich glaube irgendwo hast du früher ode später einen gewissen Brand. Und da musst du versuchen so schnell wie möglich zu erkennen und wie bei der Feuerwehr. Kleine Feuer kleine Mittel. Und je früher das du kannst löschen, desto einfacher ist es. Mit den Firmen ist es genau das gleiche. Da musst du in einem Aktionsmodus sein und nicht Reaktion. Ich weiss nicht was es zu machen gibt, diese Arroganz habe ich nicht. Aber mit der Zeit habe ich einen Instinkt entwickelt, dass man versucht zu erkennen und zu wissen was nicht zu machen ist.

11.4.5.2. English Translation – VI Partners AG

Interviewer:

At the beginning, can you give a brief overview or introduction?

Interviewee:

Since 2002 with VI Ventures we are responsible for healthcare investments. So pharma, biotech and MedTech. VI started with 100 million money Evergreen Fund. Evergreen Fund means that when a company is sold, the proceeds remain in the fund and are not distributed. Behind this fund were 10 blue chip companies of the Swiss industry like Novartis, Pictec, ABB, Schindler etc. At the end of 2002 until 2019 we have made about 60 investments. One in Healthcare and one in Deep-Tech. From our side we have invested about 260 million. If you put the companies together and look how much did they raise in total we are well over 5 B, created around 5000 jobs and we came in 2019. That was the best-ever year at VI Ventures. That's when we generated more than 70 million liquidity in one calendar year with two sales. With these proceeds, we immediately invested a new fund. VI invested as a limited partner. Others are also in the fund. We closed this fund with 110 million.

Now we have 12 or 13 companies in the portfolio and is virtually fully invested on the healthcare side. And we are now as we are talking now on the road for a new fund in the area focus digital HealthTech. And now giving a little bit of numbers. You can't talk about an IRR, so you can talk about an IRR return, but you don't pay the bill with an IRR, you pay it with a multiple. Even with an evergreen, you ask 5 people to work it out and you get 5 different results. We've always just calculated that in realized cash or cash and that means did we invest a dollar; how much did we get back? And so far realized we are at 2.6 or 2.7 and we have in the portfolio still some milestones to come and unrealized companies. We expect this multiple to come between 6 and 7.

Interviewer:

Then I would move on to the "official" part. First, the main topic is actually the US venture capital market compared to the Swiss VC market and I'm trying to find out how the Americans work compared to Switzerland and are there any topics that are different in the different phases?

Interviewee:

What I'm telling you is more biased to the biotech and MedTech area and less deep-tech. I think around your question, so US vs. Switzerland or US vs. Europe, because Switzerland is Europe. I think I'm talking from the end and not beginning because deal flow generation, deal sourcing, due diligence and so is very similar. VC in US is more than 100 years, in Switzerland is now 30 years. So that is a cultural difference. Secondly, it is in the US has developed like that, especially in the two big hubs. That is the region of Boston, especially for the healthcare and California so Silicon Valley. But what is the biggest difference in the USA? First, the market is controlled by a small number of large funds. They have become super successful. Second element, the price of the deal is very generous, very high compared to Europe. The size of the financing round is also bigger, and the philosophy of the investment is not, as in Europe, you want to finance a good story. This means a drug in device has to go well through the different phases. In the USA it is different and what has become super pronounced in recent years are the factors: how long, how fast do I get this company to trade a NADAQ. In the USA it is different and what has become super pronounced in recent years are the factors: how long, how fast do I get this company to trade a NADAQ. NASDAQ comes with classic conditional; they are the same for all. The lock period is between 12 to 18 months and the idea is it must be a company capable as fast as possible on NASDAQ with a very high premium. The IPO is even paid by the investors, but then after the lock period even if the results are not there yet, they then want to sell everything to realize the investment. So, the project has to be more or less good and it's more about doing with the right people. So, the successful senior entrepreneur, they have already done the story 2,3 times and they do it all the time. But when you see what they have successfully achieved. And achieved to me means that a drug is on the market and making sales and surviving on the market, the results are super lean. And the correction happened in the last 12 months, which I see as confirmation of that. That's the fundamentals for the difference. There is a market in the US, a stock exchange for technology stocks. That is the Nasdaq, in Europe, unfortunately, there is not. In the beginning we had in London. London is still doing it a little bit, but no VC funded company has gone public there. Euronex is certainly not a market for technology stocks. In the US you see that very often, a company is funded with a first round of financing of a few million, which you don't really see yet, and then they come to the market and boom you have 40,50,60 million Series A financing and with that amount go on the stock market and on the stock market doesn't really mean anything else than a financing round. Here we don't have that in Europe. Very often these companies have a clear path, but some of them don't even have the approval, so the technology doesn't have the approval yet.

Interviewer:

So what's the most exit or biggest exit scenario for you guys?

Interviewee:

So for me more than the most my preferred scenario is M&A. But in M&A there are differences. A deal with 500 million with total deal value and you get 10 million signature value upfront or the same total deal value 250 million, but you have 100 million upfront, I would certainly go for the 2 deal. That's the first exit scenario. The second scenario is more joint venture with then a call option that we have, and the third scenario is going public.

Interviewer:

In the M&A deal, do you have the contacts with the buyer yourself?

Interviewee:

That's part of the due diligence that we do. So, when we look at a company, its which are the potential, strategic, logic buyers? Which portfolio of a major buyer does it fit into? Of course, that's a guess and so far, it's never materialized as planned. We have always been wrong. But not in the sense that the analysis/due diligence was not good, but the buyer was always someone else. You can't read it like the strategic group decision making process do, so what we do is work that goes into the due diligence. In medical device that can pay several hundred million dollars is not very much. In pharma, significantly more. But it's important to know. And then during the investment phase after invested that we steer the company and deliberately knock on these doors. A deal happens when you have the top-down and bottom-up approach crossing. What is that? The scientists talk to the scientists and the top-down when the businesspeople talk to the businesspeople of the company and then it goes from top to bottom and from top to bottom. That's the theory in practice, it never works, and it's always different, but somehow in such a form.

Interviewer:

Conversely, how would you say your conversations with the potential buyer influence your decision when making your selection?

Interviewee:

Not with me. I'll give you an example now, which is currently, okay, there are now for gene therapy, so diseases that are coupled with the gene defect, you can replace the gene. There are two ways. One is a virus, the other is a modified virus. One causes a lot of side effects and immune system reactions. The second remains very stable. Very often it is one shot. The other one, there are several products on the market, and they work so-so. In the last few years, billions have been invested in so-la-la products and I expect this bubble to burst in the near future. That's where you have to stay independent.

Interviewer:

How do you go about identifying these companies earlier than perhaps other investors?

Interviewee:

Your question suggests whether there is competition. And there is no competition. So far, I have been in the business for 25 years. I was once excluded from my deal, a company in Basel and why was I excluded, because an American came with a big name and of course if they come with 40 million and we only with 8 million, then I have no weight. But there is much more cooperation from the beginning because there is a rule of thumb in the field that everything costs more and takes longer than thought. You still have to keep enough dry powder. So, and otherwise how do we go about it. So, we are on the road for more than 20 years and are very well connected with the universities (ETH, EPFL) and the tech transfer offices there. We are very well connected with the various VCs that because of syndication needs. We are very well connected with the different awards, so the awards that everybody knows. Maybe you know the Top 100 Competition and so on. So, me and my partners are in the jury here. We also have a network and over time we have made a name for ourselves on the market. And then of course I would say there are three big deal flows of deals. So, we see about 1000-1100 pitch decks a year. We say 80% of the deals is passive deal flow through our contact form on the website. Second, 20% it's 15% referrals from other VCs from business angels that we know well from former CEO's that we have invested with and the last 5% is our own network. So far, we have done the deals.

Interviewer:

And now going more on the funds themselves, would you say it's more stage specific or very multi-stage?

Interviewee:

So it's stage agnostic. We don't do mezzanine; we don't do pre-IPO round. But it can be as early as an early deal with a few hundred thousand francs, or it can be a Series B or Series C with several million. So, there we are rather opportunistic. Of course, you have to see the earlier the cheaper, but the earlier also with greater risk. Then you have to have a little bit of feeling and balance.

Interviewer:

Was there a development over time?

Interviewee:

We have now started with the evergreen and of course with the evergreen you don't have the time pressure. Now with the other fund, that's a closed end, so 10 years plus two extensions of once a year each. So, you have to think about it and say. Okay? Don't do it then Year five a company that you know will last at least six years. Because if it's at least 6 years expected, then it's certainly going to take 8 or 9. So I think an important part of due diligence is identifying strategic, logic buyers, another part that's quite important, that's really time, time, and money to force the exit to look at. That means we estimate how many of these specific companies need in time and money until we recognize them as ready for a transaction. But these are simulations.

Interviewer:

Very interesting and maybe to the next phase when the investment was made. How involved are you? How will the company building process work in that sense?

Interviewee:

So we define ourselves as active investors. That means we invest not only money, we invest smart money. That means, what comes along with money, is the experience, network and we put that into the companies. So, we sit practically without exceptions in the board of directors either as board member or as observer. But we do not take on any executive function. We are non-executive director, and it has happened, fortunately rarely, where we are the lead investor and things go wrong, then we have appointed an executive director or taken over ourselves. But that is very much the exception. For me, like I work with companies that I follow in the portfolio, I have an agenda call, that's every week at the beginning. So, on Monday we have our partner call but on Monday or Tuesday I call every CEO of the company. That's very simple: how did the weekend go or something or it's more deep. If there is need then we meet. And the second call is also on a weekly basis. This is with the board president who is very often an independent person, and also there I would say 1x a week or every 10 days. We want to be very close to the development of the company. But not a management replacement or something. But if there is something happening, we are on it very quickly.

Interviewer:

And the network of you, does that concern more for the technology?

Interviewee:

From the technology very often. I myself do not always understand everything to the last detail. I did my PHD mostly in the field but that was more than 20 years ago. So, I lost the thread a bit on the details. But I understand overall what they do. But the discussion is not just on the technology it goes, you have for example an important point in all these companies are healthcare patents. That is super important. But patents are also very very expensive. Of course, you have CEOs who want to patent everything in and have in the budget millions for patent, then you have to consider if it is worth. The other thing is general management. But I usually think the companies have the technical part more or less under control. But then of course if you have a CEO who says he wants to go into the clinic now and let's do four clinical trials in parallel, that costs us 100 million, then yes, I would love to do that, but then you have to tell me a solution, how do we get the 100 million to finance that?

Interviewer:

Is more energy being put into startups on the winning track or those that are struggling?

Interviewee:

You are still young enough and I suppose you don't have children yet. I have two 26 and 27. And of course if a child is nice, you have no problems and no effort. It's exactly the same with companies. So, for me the best would be, but unfortunately it never happens, you get an invitation 3, 4 times a year. Okay this is the board of directors of this company, and we did this and this. Then there is a nice fine dinner, you are in nice hotel in a nice location. That's what happens at Roche, Novartis or whatever. That never happens with us. If a company is running well, then you don't have a lot of effort. It's when you have unrest in the stable, then you have a lot of effort. Now for example, I sit on 7-8 boards, but there are currently 2 companies that suck 80% of my time. That means in the remaining 20%, there are 5-6 companies. So, it depends a little bit. I think somewhere sooner or later you have a certain fire. And there you have to try to detect as soon as possible and like firefighters. Small fires, small means. And the sooner you can extinguish it, the easier it is. With the companies it is exactly the same. There you have to be in an action mode and not reaction. I don't know what to do, I don't have that arrogance. But over time I've developed an instinct that you try to recognize and know what not to do.

11.4.6. EquityPitcher AG

Founded in 2016, EquityPitcher AG focuses geographically on the DACH region and invests in early-growth start-ups from the tech industry. While the venture capital firm operates independently of the industry, pharma and biotech are not in scope. EquityPitcher AG tries to support the growth of their portfolio companies with capital, know-how and their network. They achieve this by working closely with industry experts, investors, and exit-partners. The success of EquityPitcher AG was confirmed in the year 2022, where EquityPitcher AG could close their second fund with a volume of CHF 45 Mio. Furthermore, the venture capital firm currently holds 26 companies in their portfolio. Out of the 26 companies, 17 are domiciled in Switzerland (65%) and 9 in Germany (35%). Interviewee is Hermann Koch, who is one of the Founding Partner of EquityPitcher AG. Before co-founding EquityPitcher AG, Hermann Koch was a founder himself. After that he became a professional investor, where he gained international experience in building start-up companies as well as in the area of venture capital and private equity.

11.4.6.1. Interview Transcript – EquityPitcher AG

Interviewer:

Die erste Frage bezieht sich auf die Deal Flow Generation & Selection. Dabei wäre die erste Frage, wie geht ihr vor um potenzielle Start-Ups zu erkennen und den Kontakt herzustellen?

Interviewee:

Wir haben verschiedene Wege. Ein Grossteil ist das Netzwerk, das eigene Netzwerk, ich mein man ist vernetzt in der Branche, es ist ein People-Business, die Branche ist nicht sehr gross, man kennt sich. So schickt man sich gegenseitig die Deals zu. Dann gibt es natürlich ganz viele Pitching Events, Awards, wo man auch hingehen kann. Wir scouten dann immer in einer zu frühen Phase, also dann wenn es noch kein Investment Case für uns ist, aber wir bauen so wie eine Historie zu den Gründern auf, dass heisst wir sind auch viel bei Business Angel Veranstaltungen. Viel kommt dann auch über die Co-Investoren, also wir gehen nie alleine in Deals immer mit anderen und dann holen wir uns dort den Deal Flow her. Dann haben wir auch zwei Leute die Scouten für uns. Die sind unterwegs, einmal online, also über Linkedin, Crunchbase, Pitchbook und sind auch auf den ganzen Events. Sie sind viel auch auf Unis bei den Veranstaltungen und scouten und bringen die dann zu uns. Wir schauen uns so zwischen 1’000-1'200 Firmen im Jahr an und dann gibt es da einen Prozess. Das sind so die Hauptdealquellen. Und natürlich kommt ganz viel über die Webseite und über das Linkedin Profil von mir oder meinen Partnern. Jeden Tag kommen da mehrere Anfragen.

Interviewer:

Dann ist es eigentlich noch kein wirklicher Konkurrenzkampf zwischen den VCs?

Interviewee:

Also ich denk eher so gegen später, wenn die Bewertungen so hoch sind. Also jetzt 2020 wo die Bewertungen so sportlich waren und das Geld locker sass, da war es dann schon wirklich ein Konkurrenzkampf wenn es gegen Ende der Runde ging und die Gründer konnten sich die Investoren auswählen und dann wie es so ist, dann wird alles übertrieben. Dann gibt es Pitching Events für Investoren, welche sich präsentieren mussten und so weiter. Aber das ist jetzt auch nicht mehr der Fall. Es hat sich korrigiert im letzten Jahr. Konkurrenz kommt erst später.

Interviewer:

Was sind so eure Kriterien beim investieren, wie früh geht ihr rein?

Interviewee:

Grundsätzlich gibt es ein Prospect für jeden Fond. Also wenn wir dort DACH Region definiert haben, müssen wir uns auch zwischen diesen hard-facts bewegen. Aber wir haben für uns intern Kriterien festgelegt, zum Beispiel, dass wir sagen, wir machen ungern oder eigentlich gar keine pre-Revenues Investments. Also es muss Umsätze geben, weil wir wollen unsere Due Dilligence auf den Kunden machen. Also vorallem alles um die Runde A herum, Fokus ist Runde A, sporadisch wenn es sinnvoll ist machen wir auch ein Seed mit oder einer B Runde. In der Regel ist es so, ab da wo es ein Produkt gibt und die ersten Kunden. Da fühlen wir uns wohl. B2B machen wir ausschliesslich und in der DACH Region, hauptsächlich Deutschland und Schweiz, wir machen auch viel mit der ETH, wir haben uns so ein wenig hier eingeschossen auf das Thema. Also zusammenfassend, es braucht immer ein Produkt, und auch wenn dieses noch weiter entwickelt wird, braucht es eines was auf dem Markt schon Anwender gefunden hat.

Interviewer:

Stichwort Due Dilligence, macht ihr da alles selber in-House auch mit der Technological Due Dilligence?

Interviewee:

Nein, also wir nicht, wir sourcen technical Due Dilligence an die ETH aus, wir schauen zum Beispiel, wer könnte uns im Bereich, zum Beispiel AI, dann suchen wir uns jemand aus dem Bereich. Oder wenn es Robotics ist dann aus dem Bereich. Also für uns ist natürlich schon viel Due Dilligence gemacht in dem Bereich, wenn es schon Kunden gibt, welche es nutzen. Wir steigen ja nicht ein, wenn es keine Kunden gibt. Also es muss Anwender haben, wo das Produkt schon funktioniert. Wir möchten schon wissen, wo steht es von der Entwicklung her und ist der Code sauber aufgesetzt und dass macht dann einen Externer. Das ganze Legal Thema, da haben wir alles Standard Terms, die machen wir selber und auch die Shareholder Agreements kennen wir. Aber wir lassen natürlich immer noch eine Legal Firma darüber gehen. Und auch der Fond, da arbeiten wir mit einer Bank, die haben auch ihre Legal einheit. Also das schauen wir uns an extern und wo wir uns noch Know-How dazuziehen ist Markt Know-How. Also wir sind ja agnostisch unterwegs, klar am schluss sind es immer ähnliche Industrien, da sind viele Themen gleich, aber wir holen uns die spezifische Industrie Expertise über externe Berater mit rein. Den Rest machen wir selber, also Financial Due Dilligence, Team, Business Model solche Sachen machen wir dann selber.

Interviewer:

Ist das Portfolio eher Stage-Spezifisch oder Multi-Stage?

Interviewee:

Also wir sind Multi-Stage mit starkem Fokus auf A. Wir haben auch Seed Themen dabei, wo wir Start-Ups haben, welche schon sehr weit gekommen sind ohne gross funding, und jetzt letztens haben wir in eine B Runde investiert. Also Multi ja, aber mit doch eher stärker auf A Runde fokusiert. Die Runden vor oder nach A sind eher sporadische Engagements und wenn du das Portfolio anschaust, sind so ca. 90% A Runden.

Interviewer:

Hat sich dies über die verschiedenen Funds verschoben? Also eine Verschiebung nach vorne oder nach hinten vom Zeitpunt der Investments?

Interviewee:

Ja, das gibt es tatsächlich. Es liegt auch ein wenig an der Struktur wie unsers Fond war. Der erste Fond war sehr klein, da sind wir sehr früh reingegangen, teilweise auch schon pre-Revenue. Im Fond 2 sind wir schon eher später reingegangen. Im Fond 3 ist jetzt auch angedacht, dass wir wahrscheinlich keine Seed Investment mehr machen werden, sondern konsequent bei der A Runde bleiben. Und es ist auch immer schwierig, wenn ich A Runde sage, die bennen ihre Runden auch immer unterschiedlich. Also die sagen dann Pre-A oder A-Extension oder A Plus oder A Plus Plus. Also wenn ich Runde A sage, meine ich, die haben ein Produkt und es gibt Kunden auf dem Produkt. Die machen vielleicht so eine halbe Million Umsatz oder mehr und ab da ist es ein Case für uns. Da würde ich schon sagen von Fond 1 zu Fond 2 hat es sich in die Richtung verschoben, dass wir ein Tic später reingehen von der Phase her.

Interviewer:

Vom Sector, wie sieht es da auch spezifisch oder multi?

Interviewee:

Industrie machen wir agnostisch, wir machen kein Biotech und kein Pharma, aber wir machen alles wo wir das Gefühl haben, wir haben unser Netzwerk. Wir haben ein Pool an Netzwerk aufgebaut also ca. 50 Leute aus der Industrie, welche wir dann eben auch dazu holen auf Projekt ebene. Dies bei der Auswahl aber auch später bei der Betreuung. Aber grundsätzlich, wenn du mal schaust, viele sagen immer sie sind fokusiert, aber wenn du das Portfolio anschaust, dann sind die das nicht wirklich. Aber wenn ich dir sag, mein Fokus ist B2B SaaS, dann kannst du dir selber überlegen, was das alles sein kann. Das kann von einer Wareneingangskontrolle bei einer ABB sein, bis hin zu einem HR Prozess bei einer Nestle sein. Also ich würde sagen, unsere Kunden auf Porfolioebene sind KMU und Corporates, die eine Digitalisierung brauchen in spezifischen Bereichen, um dadurch Kosten zu sparen oder noch mehr Umsätze zu generieren. Das sind so die zwei Hauptthemen, die da zur Sprach kommen. Also wenn du so möchtest, sind wir ein B2B SaaS Investor.

Interviewer:

Nächster Punkt, Background der Leute bei Euch, ist das eher Banking & Finance lastig oder Science?

Interviewee:

Naja, mein Partner hat dann Banking Hintergrund, ich selber eher ein unternehmerischer und die Andrea, sie ist mehr aus dem Industriebereich. Also da sind wir gut vertretten in allen Bereichen. Also ich denk du musst ein gewisses Finanzverständnis haben, wenn du institutionell Anlegen möchtest. Also man muss verstehen wie ein Fond funktioniert, wie die KPIs funktionieren und solche Sachen, aber ich kenn auch viele VC, die haben überhaupt nichts mit Finanzen zu tun. Die sind reine Unternehmer und sind zum Teil auch Techies und deren Expertise ist mehr auf der Produkt Ebene. Ich würde nicht sagen, dass es da die Patentlösung gibt. Also wenn du die Expertise nicht hast, musst du sie dir dazukaufen. Also wenn du zum Beispiel nicht weisst, wie ein IRR funktioniert, dann ist es halt einfach blöd. Aber ja, musst du coden können oder programieren, nein musst du nicht. Oder musst du schonmal gegründet haben, nein musst du auch nicht. Oft sind sogar die Gründer die schlechteren Investoren.

Interviewer:

Eine Phase weiter, wenn das Investment vollzogen ist, wie stark involviert man sich da und auch in welcher Form?

Interviewee:

Also company building ist eher ein spezieller Bereich und machen wir per se so nicht, kommt oftmals früher als wir einsteigen. Was wir schon haben, das sind auch Auflagen für das Reporting gegenüber unseren Investoren, also wir sind immer im Board. Also entweder im Board Observer oder Board Seat. Wir haben so den Informationsfluss aus dem Board, wir sind bei Strategiemeetings mit dabei, wo wir sehr stark involviert sind. Wo wir dann auch sehr stark involviert sind und helfen, ist bei den Finanzierungsrunden. Unser interesse ist natürlich, dass das Unternehmen weiteres Geld bekommt in Zukunft und das unterstützen wir. Was wir speziell machen, was auch nicht jeder macht, ist das wir Sales unterstützten. Also wir generieren strukturierte Intros zu den Corporates und zu KMUs, um dort auch die Produkte zu verkaufen. Alle 12-18

Monate findet eine Finanzierungsrunde statt in der Regel und in dieser Zeit gilt es, also ist die Challenge immer, so viel wie möglich Traction aufzubauen. Traction lässt sich am einfachsten Messen mit Umsatz. Da versuchen wir die Salescycle so zu verkürzen, weil wir ja B2B machen, das die zu den Entscheidungsträgern früher an den Tisch kommen und dadurch hoffentlich auch schneller Verkaufen können. Andere haben aber auch andere Themen. Also zum Beispiel Untersützung im HR, also suchen die richtigen Leute, dass machen wir nicht. Oder andere sind Techies und helfen beim Produkt und Market-fit und solche Sachen. Wenn wir einsteigen, gibt es dies in der Regel schon und daher denk ich, dass ist von VC to VC unterschiedlich.

Interviewer:

Wie oft steht man denn so im Austausch mit den Portfolio Companies?

Interviewee:

Ja also jede Woche, jeden Monat. Also es gibt viele Start-Ups, welche monatliche Board Meetings haben. Das Board bei einem Start-Up ist ja nicht wie bei einem Corporate oder KMU, wo du quartalsweise zusammen kommst. Das Board ist eher, die wirken da mit, also die schleifen das Unternehmen. Die Gründer wollen auch immer absichern, bei den Investitionen und Entscheidungen, die sie treffen. Sie möchten die Investoren immer abholen auf ihren grössten Investments oder strategischen Entscheidungen. Also bei den meisten finden solche Meetings auf monatlicher Ebene statt. Also wir sind wirklich viel im Austausch, auch bilateral mit den Portfolio Companies und Gründern.

Interviewer:

Steckt man mehr Energie in die Start-Ups, welche auf dem Winning Track sind oder eher in die, welche Anzeichen von Failure zeigen?

Interviewee:

Das ist so ein wenig disziplin Frage. Also nach Schulbuch müsstest du in die Zeit investieren, welche sich gut entwicklen theoretisch. Aber ich mein oft, wenn du Probleme hast in der Unternehmung, dann braucht es dich ja auch dort. Also du musst dann auch Unterschriften liefern, Vollmachten ausgeben, das Rapportieren etc. Aber es ist tatsächlich so, ab einer gewissen Phase machst du einfach nur noch das absolut Nötigste, bei denen es nicht läuft. Also ganz ehrlich, wir haben auch die Zeit nicht, da zum 27x zu hören, warum das Produkt nicht so funktioniert. Dann geht man bis zu einer gewissen Weile mit, aber irgendwo kommt dann auch eine Phase wo, da bringt es halt auch einfach nichts mehr. Da setzten wir dann unsere Resourcen auch wirklich da ein, wo es Früchte trägt.

Interviewer:

Letzte Phase, Exit, was ist bei euch die typische Exit Strategie oder das typische Exit Szenario?

Interviewee:

Das ist so ein bisschen, wo viele Investoren und auch wir, weil es das Ecosystem noch nicht so lange gibt und auch uns noch nicht so lange gibt, weniger Erfahrung haben. In der Vergangenheit, wenn wir Exit gemacht haben, war es immer über ein Secondary. Das bedeutet, man hat seine eigenen Anteile verkauft in einer grösseren Finanzierungsrunde oder an jemanden, welcher das dann auch weiterentwicklen möchte. Oder aber die Firma wird gesamthaft verkauft. Dann verkauft man dort mit. Dann gibt es noch die IPOs, aber ich persönlich haben das auch noch nicht erlebt. Hier ist es eher, also geht es in die Richtung, dass grössere Player das Start-Up aufkauft.

Interviewer:

Was sind das so für typische Player?

Interviewee:

Das sind Corporates und Private Equity. Also wo wir immer im Austausch sind, ist mit Private Equity Häusern. Die haben dann das Geschäftsmodell, dass sie später einsteigen, bei EBIT positiv oder in die Richtung geht, aber die meisten wollen ein EBIT haben. Dann ist deren ihr Geschäftsmodell die Weiterentwicklung und wollen da auch nochmals 2-3 X machen. Das ist sicherlich ein Exit Weg.

Interviewer:

Wie ist da so die Zusammenarbeit?

Interviewee:

Also die fragen und auch an. Die sehen ja unser Portfolio, die sehen die Portfolio Companies auch in den Medien und gehen dann drauf, bei Crunchbase zum Beispiel, wer ist da investiert und schreiben uns dann an. Die machen dann oft auch so Buy and

Build Team, also die haben dann wirklich ein Portfolio Unternehmen und wollen sich Sachen und Innovationen dazu kaufen. Healthtech zum Beispiel, da sagen sie, ok, da könnte jetzt zusätzlich noch das und das passen. Dann fragen sie uns an. Die wissen natürlich, dass es in der Regel noch viel zu früh ist, aber die wollen, wie wir ja auch, frühen Austausch pflegen und wenn es in die Richtung geht, dass es zu den Kriterien passt, man der erste Ansprechspartner ist. Also eigentlich ist es immer so ein weitergeben der Firmen in die nächst Runde. Also wie ein Staffellaufe.

Interviewer:

Der Austausch mit den Exit-Partner, beeinflusst das die Auswahl der Start-Ups?

Interviewee:

Ja, schon ja, also wir versuchen natürlich Trends aufnehmen. Wir gehen regelmässig mit M&A Advisor durch unser Portfolio durch. Da ist es denn so, dass die sagen, wenn die Firma das und das erreicht hat, dann wäre das ein Investment Case. Das ist auch ein Thema, die Exit finden meistens über Berater statt. Entweder kommt es über die Firma selber, also die Gründer der Start-Ups sind im Austausch und dann gibt es einen strategischen Fit und etwas entsteht. In der Regel ist es so, dass es über einen strukturierten M&A Prozess geht. Da sind wir natürlich auch sehr stark im Austausch. Die sagen uns, wenn bei der Firma die KPIs stimmen, dann könnt ihr kommen.

11.4.6.2 English Translation – EquityPitcher AG

Interviewer:

The first question relates to deal flow generation & selection. The first question would be, how do you go about identifying potential startups and establishing contact?

Interviewee:

We have different ways. A big part is the network, your own network, I mean you are connected in the industry, it's a people business, the industry is not very big, you know each other. So, you send each other the deals. Then of course there are a lot of pitching events, awards, where you can also go. We always scout in an early phase, when it is not yet an investment case for us, but we build up a history with the founders, which means that we are also at business angel events a lot. A lot then also comes through the co-investors, so we never go alone in deals always with others and then we get the deal flow from there. Then we also have two people who scout for us. They are on the road, once online, so via LinkedIn, Crunchbase, Pitchbook and are also at all the events. They are also much at universities at the events and scout and then bring them to us. We look at between 1,000-1,200 companies a year and then there is a process. Those are the main sources of deals. And of course, a lot comes through the website and through the LinkedIn profile of me or my partners. Every day there are several inquiries.

Interviewer:

Then it's not really competition between VCs yet?

Interviewee:

So I think more towards later, when the valuations are so high. So right in 2020, when the valuations were so sporty and the money was loose, it was really a competition when it came to the end of the round and the founders could choose the investors and then, as it is, everything gets exaggerated. Then there are pitching events for investors who had to present themselves and so on. But that's not the case now either. It has corrected itself in the last year. Competition comes later.

Interviewer:

What are your criteria for investing, how early do you go in?

Interviewee:

Basically there is a prospect for each fund. So, if we have defined the DACH region there, we also have to move between these hard facts. But we have defined criteria for ourselves internally, for example that we say we don't like to make pre-revenues investments, or we don't make them at all. So, there must be sales because we want to do our due diligence on the customer. So mainly everything around round A, focus is round A, sporadically if it makes sense, we also do a seed with or a B round. Usually, it's from where there is a product and the first customers. That's where we feel comfortable. B2B, we do exclusively and in the DACH region, mainly Germany and Switzerland, we also do a lot with the ETH, we have so a little bit shot here on the topic. So, in summary, there always needs to be a product, and even if this is still being developed further, it needs to be one that has already found users on the market.

Interviewer:

Keyword due diligence, do you do everything yourself in-house, including technological due diligence?

Interviewee:

No, we don't, we outsource technical due diligence to ETH, we look for example, who could help us in the area, for example AI, then we look for someone from that area. Or if it's robotics then from that area. So, for us, of course, a lot of due diligence is already done in the area if there are already customers who use it. We don't get involved if there are no customers. So, it has to have users where the product already works. We want to know where it stands in terms of development and is the code cleanly set up, and that is then done by an external party. The whole legal topic, we have all the standard terms, we do them ourselves and we also know the shareholder agreements. But of course, we still let a legal company go over it. And also, the fund, we work with a bank, they also have their legal unit. So, we take a look at that externally and where we get additional know-how is market know-how. So, we are agnostic on the way, of course in the end it is always similar industries, many topics are the same, but we bring in the specific industry expertise through external consultants. The rest we do ourselves, so financial due diligence, team, business model such things we then do ourselves.

Interviewer:

Is the portfolio more stage-specific or multi-stage?

Interviewee:

So we are multi-stage with a strong focus on A. We also have seed themes where we have startups that have already come very far without large funding, and now we have recently invested in a B round. So multi yes, but with more focus on A round. The rounds before or after A are rather sporadic engagements and if you look at the portfolio, about 90% are A rounds.

Interviewer:

Has this shifted over the different funds? So, a shift forward or backward from the time of the investments?

Interviewee:

Yes, there is indeed. It's also a little bit due to the structure of our fund. The first fund was very small, there we went in very early, partly already pre-revenue. In the 2nd fund we went in rather later. In fund 3, it is now also planned that we will probably no longer make a seed investment but will consistently stay with the A round. And it's also always difficult when I say A round, they always name their rounds differently. So, they say Pre-A or A-Extension or A Plus or A Plus Plus. So, when I say round A, I mean they have a product and there are customers on the product. They might make half a million in sales or more and from then on, it's a case for us. I would say that from Fund 1 to Fund 2, it has shifted in the direction that we go in a tic later from the phase.

Interviewer:

From the industry, how does it look, specifically or multi?

Interviewee:

We are agnostic about industry, we don't do biotech or pharma, but we do everything where we feel we have our network. We have built up a pool of network, so about 50 people from the industry, which we then also bring in at the project level. This is during the selection but also later during the support. But basically, if you look, many always say they are focused, but if you look at the portfolio, they are not really. But if I tell you my focus is B2B SaaS, then you can think for yourself what that can be. It could be anything from an incoming goods inspection at an ABB, to an HR process at a Nestle. So, I would say that our customers at the portfolio level are SMEs and corporates that need digitization in specific areas in order to save costs or generate even more revenue. Those are the two main topics that come up. So, if you like, we are a B2B SaaS investor.

Interviewer:

Next point, background of the people at your company, is it more Banking & Finance or Science?

Interviewee:

Well, my partner has a banking background, I have more of an entrepreneurial background myself, and Andrea, she's more from the industrial sector. So, we are well represented in all areas. So, I think you have to have a certain understanding of finance if you want to invest institutionally. So, you have to understand how a fund works, how the KPIs work and things like that, but I also know a lot of VCs that have nothing to do with finance at all. They are pure entrepreneurs and some of them are techies, and their expertise is more on the product level. I wouldn't say that there is a one-size-fits-all solution. So, if you don't have the expertise, you have to buy it. So, for example, if you don't know how an IRR works, then it's just stupid. But yes, do you have to be able to code or program, no you don't have to. Or do you have to have founded a company before, no you don't have to. Often even the founders are the worse investors.

Interviewer:

One phase further on, when the investment is completed, how involved are you and in what form?

Interviewee:

So company building is rather a special area, and we don't do that per se, it often comes earlier than we get on board. What we do have are requirements for reporting to our investors, so we are always on the Board. So, either in the board observer or board seat. We have the flow of information from the Board, we are involved in strategy meetings, where we are very much involved. Where we are also very much involved, and help is in the financing rounds. Our interest is of course that the company gets more money in the future, and we support that. What we do specifically, which not everyone does, is that we support sales. We generate structured intros to corporates and SMEs in order to sell the products there as well. Every 12-18 months there is usually a financing round and during this time the challenge is always to build up as much traction as possible. The easiest way to measure traction is with sales. We try to shorten the sales cycle, because we do B2B, so that we can get to the decision makers earlier and hopefully sell faster. But others also have other topics. For example, support in HR, so we look for the right people, we do not do that. Or others are techies and help with product and market-fit and things like that. When we come in, this is usually already there and so I think that is different from VC to VC.

Interviewer:

How often are you in contact with the portfolio companies?

Interviewee:

Yes, so every week, every month. So, there are many start-ups that have monthly board meetings. The board at a start-up is not like at a corporate or SME, where you meet quarterly. The board is more, they participate in that, so they're grinding the company. The founders also always want to hedge, in the investments and decisions they make. They always want to pick up the investors on their biggest investments or strategic decisions. So, for most of them, those meetings happen on a monthly basis. So, we are really much in the exchange, also bilateral with the portfolio companies and founders.

Interviewer:

Do you put more energy into the startups that are on the winning track or more into those that are showing signs of failure?

Interviewee:

That is a little bit a discipline question. So according to textbook you would have to invest in the time, which develop well theoretically. But I mean often, if you have problems in the company, then it needs you there, of course. So, you also have to deliver signatures, issue powers of attorney, the rapport etc. But it's really the case that after a certain phase you only do what's absolutely necessary when things aren't going well. So honestly, we also don't have the time, there to the 27x to hear why the product does not work so. Then one goes up to a certain while with, but somewhere comes then also a phase where, there brings it also simply no more. Then we really put our resources where it bears fruit.

Interviewer:

Last phase, exit, what is the typical exit strategy or scenario for you guys?

Interviewee:

That's a bit where many investors, and we too, because the ecosystem hasn't been around that long and we haven't been around that long either, have less experience. In the past, when we exited, it was always through a secondary. That means you sold your own shares in a larger financing round or to someone who then also wants to develop it further. Or the company is sold as a whole. Then you sell along with it. Then there are the IPOs, but I personally have not experienced that yet. Here it is rather, so it goes in the direction that larger players buy up the start-up.

Interviewer:

What are some typical players?

Interviewee:

These are corporates and private equity. So where we are always in exchange is with private equity houses. They then have the business model that they enter later, with EBIT positive or going in that direction, but most want to have EBIT. Then their business model is the further development and want to make there also again 2-3 X. That is certainly an exit route.

Interviewer:

What is the cooperation like?

Interviewee:

So they ask us and also write to us. They see our portfolio, they see the portfolio companies in the media and then they go to Crunchbase, for example, to see who is invested there and then they write to us. They often do buy and build teams, so they really have a portfolio company and want to buy things and innovations. Healthtech, for example, they say, okay, this and that could fit in as well. Then they ask us. They know, of course, that it's usually much too early, but they want to maintain an early exchange, just like we do, and if it goes in the direction that it fits the criteria, you're the first point of contact. So actually, it is always a passing on of the companies to the next round. So, like a relay race.

Interviewer:

The exchange with exit partners, does that influence the selection of startups?

Interviewee:

Yes, well, so of course we try to pick up trends. We regularly go through our portfolio with M&A advisors. They say that if the company has achieved this and that, then that would be an investment case. That's also an issue, the exits are mostly through advisors. Either it comes through the company itself, so the founders of the startups are in the exchange and then there is a strategic fit and something emerges. Usually it's through a structured M&A process. Of course, we are also very much involved in this exchange. They tell us that if the company's KPIs are right, then you can come in.

11.4.7. Redalpine Venture Partners AG

Founded in 2007, Redalpine Venture Partners AG has over 16 years of experience in the venture capital industry and have raised 6 funds. Positioned as seed and early-stage venture investor, Redalpine Venture Partners AG focuses on disruptive technologies with highly scalable ICT and Health Tech models. Since its inception, more than 85 companies have been financed by Redalpine Venture Partners AG and the total volume of funds raised by its portfolio companies amounts to over CHF 2.7 B. Currently, they have 65 start-ups in their portfolio, 13 of which have recently been exited. Most of the portfolio companies are either domicile§d in Switzerland or in Germany. Interview partner is Dr. Michael Sidler, who is one of two founding Partners. He holds a Ph.D. in molecular biology and before co-founding Redalpine Venture Partners AG, he joined the Boston Consulting Group. During the dotcom bubble, he made his first steps as a business angel and followed his passion as he joined a start-up company. After that, he switched the table and focused entirely on venture capital.

11.4.7.1. Interview Transcript – Redalpine Venture Partners AG

Interviewer:

Erste Phase, wie geht ihr vor, um die Start-Ups zu erkennen?

Interviewee:

Das schwierige ist das Identifizieren. Und da schauen wir pro Jahr 3'500 bis 4'000 Pitch Decks an und machen nachhher 6-8 Investments. Also eine sehr selektive Auswahl. Was wir aufgehört haben ist, einfach Deal Flow, welcher zu uns geschickt wird, welcher nicht über unser Netzwerk kommt, anzuschauen. Also wir schauen es nicht mehr an, schlicht und einfach, weil wir keine Kapazität haben. Wenn man analysiert, die durchschnittliche Qualität ist schwach. Das heisst, unser Deal Flow kommt aus unserem Netzwerk. Es sind Leute, die wir kennen und vielleicht früher schon zusammen investiert haben oder selber Unternehmer sind. Wenn jemand von denen sagt, schaut mal, das ist ein interessantes Team oder die machen etwas cooles, dann ist das sozusagen eine Vorqualifizierung, was für uns extrem wertvoll ist. Dann gehen wir auch proaktiv vor. Also wir definieren gewisse Bereiche, wo wir disruptive Veränderungen erwarten in den nächsten Monate bis Jahre. Dort bilden wir dann eine Art Investmenthypothese. Dann gehen wir raus uns versuchen in Europa das beste Team zu finden, welches das Thema adressiert. Und dann ist es vielfach so, dass wir den Spiess umdrehen. Typischerweise kommen Start-Ups zu uns und klopfen an und fragen nach Geld. Und wenn wir mit dem proaktiven Vorgehen vorgehen, dann klopfen wir an und fragen, ob wir investieren können. Das ist ein sehr grosser Unterschied und extrem erfolgreich. Aber so kann man natürlich nicht eine grosse Masse bewältigen. Der dritte Teil ist ein Daten basierter approach, bei welchem wir Tools nutzen, also Data Tools. Dann werten wir dieses aus aufgrund von gewünschten Signalen. Also wir versuchen erfoglsversprechende Ausgangslagen zu identifizieren. Beispiel: Wenn von einem erfoglreichen Start-Up oder Unternehmen in unserem Portfolio oder auch nicht, abspringt und etwas neues gründet, dann wollen wir wissen, was der macht. Das ist dann eine mögliche Opportunität für uns.

Interviewer:

Wenn Ihr proaktiv auf Start-Ups zugeht, reagiert ihr hier auf eine Art Konkurrenz unter den VCs oder gibt es das so nicht wirklich?

Interviewee:

Das ist sehr unterschiedlich und in jedem Fall anders. Es gibt Konkurrenzsituationen, aber in der Regel ist es eher der Fall, dass wir ein Syndikat bilden. Die Erkenntnis ist fast überall gleich, dass man gemeinsam stärker ist und sich nicht muss unnötig die Preise verderben. Also ich möchte nicht sagen, dass es dies überhaupt nicht gibt, aber normalerweise ist es kein limitierender Faktor.

Interviewer:

Habt Ihr minimum Kriterien, wenn ihr ein Investment macht bei den Start-Ups?

Interviewee:

Ja und Nein, wir sind ja sektor agnostisch. Das heisst, wenn wir in eine SaaS Firma investieren, dann ja wollen wir mehr KPIs sehen. In der Regel bei einem SaaS Unternehmen sind das Kunden, zahlende Kunden und Umsatz etc. Also wir möchte ein Wachstum sehen. Dann haben wir andere Firmen, die sind eher weiter Weg vom Markt und entwickeln ein Produkt oder Technologie und dort schauen wir nicht nach Umsatz, aber eher nach Proof of Concept, oder gibt es irgendwo ein Proof of Customer Interest, also zum Beispiel mit einem Letter of Intent. Wir reden dort vielleicht mit einem oder mehreren potenziellen Kunden. Also die Kriterien sind sehr unterschiedlich. Das wichtigste Kriterium bei weitem ist die Qualität vom Gründungsteam.

Interviewer:

Macht ihr die ganze Due Dilligence alles in House selber oder wie geht ihr dort vor?

Interviewee:

Also wir sind ja ein Team von 32 Leuten. Momentan in zwei Standorten, in Berlin und in Zürich. Dies sehr interdisziplinär, wir haben Leute mit Hintergrund Software Engineering, Ärzte, Biotechnologe, Molekulartechnologe, wir haben auch ein Physiker im Team, also in die Themen, welche wir investieren, die verstehen wir auch bis in das tiefste Detail. Bei einem Biotech können wir die Due Dilligence selber machen. Es ist jetzt nicht so, dass wir immer überall Experten sind und dann gibt es die Situation, dass wir für spezielle Themen mit Professoren zusammenarbeiten aus den Hochschulen und Universitäten. Die kennen wir auch über unser Netzwerk. Aber die groben Züge von einer Due Dilligence können wir alles selber machen. Also auch IP Due Dilligence, schauen, was hat das Patent Wert. Also wir sind nicht Patent Spezialisten, können sie zwar lesen und haben auch eine Ahnung, aber dort machen wir eine IP Due Dilligence, wo wir jemanden mandatieren. Da möchte man ja nicht nur schauen, ob die Patente schützen kann, sondern es muss auch neues Know-How sein und man möchte sehen, hat es Freedom to operate. Also es wäre natürlich blöd, wenn man in etwas investiert und dann steht es mit einem anderen Patent in Konflik. Wir haben auch immer eine Legal Due Dilligence und dort brauchen wir Anwälte.

Interviewer:

Wenn Du nun die Funds vergleichst, zwischen dem ersten und letzten, gab es da eine Verschiebung der Stages?

Interviewee:

Also im 2007 haben wir angefangen und haben uns seither mit dem Markt und dem Ökosytem entwickelt. Wir machen da eine Art Mischung pro Fund, einige sind extrem früh, wo wir investieren. Also wir machen ein Portfolio pro Fund und investieren in etwa 17-20 Investments und dort gibt es einige, die sind sehr früh und einige die sind ein wenig später. Das ist ein wenig eine Mischung. Letztendlich ist es wirklich eher Seed bis Series A. Was wir haben, wir haben mittlerweile ein Fund, der nennt sich Summit Fund und das ist ein anderes Vehikel. Das investiert in Late-Stage, direkt in sehr erfoglreiche Firmen aus dem eigenen Portfolio und andere erfolgreiche

Sektorleader, wo wir zu einem späten Zeitpunkt einsteigen. Das immer als Co-Investor. Zudem macht der Summit Fund auch Fund-of-Fund Investments über unsere eigenen Funds. So hat man mit einem Fund Produkt die gesammte Kette abdecken kannst von Pre-Seed bis Pre-IPO.

Interviewer:

Wenn es dann zum Investment gekommen ist, wie probiert man da das Company Building zu betreiben?

Interviewee:

Dort sage ich immer, in Analogie, sind wir wie, wenn man es sich als Fussballspiel vorstellt, dann ist das Team, also die, die auf dem Platz spielen, die müssen gewinnen. Und wir machen alles, am Spielfeldrand, damit sie gewinnen. Also wir motivieren, massieren, bringen den Tee, coatchen, machen Transfers, Tickts verkaufen, also wir machen einfach alles, damit diese gewinnen. Aber wirklich operativ in das Spiel eingreifen, machen wir nicht. Konkret heisst das, wir helfen beim Team Building, Fundraising Runden, Strategie, spezifische Aufgaben z.B. im Marketing. Eine vo den wichtigsten Aufgaben, welche wir haben ist, wenn ein Team nicht so erfahren ist, dann auf die wichtigsten Situationen hinweisen, wo sie selber nicht sehen. Wir sagen zum Beispiel, schau jetzt kommt diese und diese Hürde oder das Problem und das können wir bereits schon jetzt anfangen zu lösen, bevor es eintritt. Also die Erfahrung, welche wir einbringen ist sehr wertschaffend. Also das ist auch die Idee, dass wir das Team schneller voranbringen als ohne uns.

Interviewer:

Team Building, bedeutet auch eine Art Recruting?

Interviewee:

Sehr unterschiedlich, aber wenn wir investieren ist es vielleicht ein Team von 10 Leuten, oder noch weniger. Und mit unserem Geld und mit dem Wachstum, dann wachsen diese vielleicht auf ein Team von 100 Mitarbeiter und das bietet enorm grosse Herausforderungen auf allen Ebenen. Also zum Beispiel Leute finden, Strukturen, Prozesse, Kultur das ist enorm anspruchsvoll für jemanden, welcher das noch nie gemacht hat. Genau dort können wir wahnsinnig helfen. Wir selber rekrutieren nicht, also sind keine Headhunter, aber wir haben ab und zu in unserem Netzwerk Leute, die sich gut eignen für solche Sitationen. Wichtig zum festhalten ist, dass wir immer ein Minderheitsaktionär sind. Wir können ja nicht bestimmen, wir können nur beraten. Das Beschliessen und das Festlegen muss das Founder Team oder Management Team machen.

Interviewer:

Wie oft ist man so im Austausch mit den Start-Ups?

Interviewee:

Je nach dem und je nach Phase täglich, wöchentlich oder monatlich. Das ist sehr unterschiedlich. Wir sind immer im Board vertretten, mit Ausnahmen. Aber die Interaktionen sind sehr vielfälltig. Also ich habe mit allen Start-Ups, für welche ich zuständig bin einen WhatsApp Kanal. Da sind wir manchmal täglich dran. Die fragen auch Zeugs, oder ich frage Zeugs, da ist der Kanal offen 24/7.

Interviewer:

Setzt man mehr energie auf die, welche auf dem Winning Track sind oder mehr auf die, die at Risk sind?

Interviewee:

Ja, das ist das Geheimnis vom ganzen eigentlich. Also eigentlich, wenn du deine Energie und Ressourcen einsetzt, um failures zu retten, dann macht man einen riesen Fehler. Weil das Geld verlierst du maximal einmal. Aber wenn du deine Energie einsetzt, um Winners einzusetzten, dann gewinnst du das Geld 10, 20, 30x oder nochmehr mals wieder zurück. Also wo soll man die Ressourcen, Energie und das Geld einsetzten? Logisch bei den Winners. Das Hauptproblem ist, dass es eine menschliche Tendenz gibt sich um die Schwachen zu kümmern. Aber wenn man in einem Portfolio erforlgreich sein will, dann muss man eigentlich recht schnell entscheiden, wo es sich lohnt Zeit und Geld zu investieren und wo nicht. Dann muss man sich halt trennen oder andere Lösungen finden.

Interviewer:

Exit, wie sieht bei euch so die typische Strategie aus?

Interviewee:

Da gibt es 3 Varianten. Oberflächlich gesehen, entweder die Firma wird verkauft, also ein Trade Sale, meistens ein strategischer Käufer oder Private Equity Käufer. Zweite Variante ist ein IPO, also ein Börsengang. Dritte Variante, wir verkaufen unseren Anteil an einen anderen Investor. Da ist man relativ opportunistisch. Die Schwierigkeit ist, wenn es ein Interesse gibt von einem potenziellen Käufer. Ist es der richtige Zeitpunkt? Man muss sich immer fragen, ist es zu einem späteren Zeitpunkt nicht mehr Wert? Die Entscheidung ist insofern sehr schwierig, zum Beispiel, man investiert früh in eine Firma und der Wert unserer Beteiligung hat sich über die Zeit verfünffacht und nachher kann man den Anteil verkaufen. Dann hat man aber das Gefühl, wenn man nochmals ein Jahr dabei bleibt, verdoppelt sich der Wert der Firma nochmals. Dann wäre es total für uns einen Multiple von 10x. Und die letzte Verdoppelung hat ein extremen Impact auf unseren Multiple. Darum ist die Entscheidung keine einfache. Das ist vielfach eine Entscheidung, wo man sich fragt, was hat man für eine Strategie. Diese Strategie ist jedesmal sehr unterschiedlich und man muss die Situation der Firma berücksichtigen und die Situation vom Markt. Wenn man nun heute schaut im heutigen Markt, dann sieht man, es ist ein bisschen schwieriger geworden. Und wenn man jetzt letztes Jahr, vor einem Jahr ein Angebot gehabt hätte für einen Verkauf, dann ist es Rückblickend oder war es Rückblickend sehr spannend. Auf der anderen Seite, in einem Jahr sieht das Umfeld wieder besser aus. Und genau die Firmen, die durch eine solche Schwächephase durchgekommen sind, sind nachher noch viel mehr Wert. Diese Abwägung muss man einfach machen konstant. Das überlässt man auch nicht dem Zufall. Relativ früh und systematisch tuen wir mit unseren Portfolio Companies sprechen. Man bringt dann M&A Advisors und Investment Banken ins Spiel. Es geht da nicht darum ein Mandat zu verteilen. Aber dass man bei solchen Deal Makers genug früh auf dem Radar ist, dass wenn dann eine Situation eintritt, bereits up-to-speed ist.

Interviewer:

Zwischen den drei Szenarios, was tifft bei Euch am meisten zu?

Interviewee:

Der häufigste Fall ist Trade Sale. Also verkauf an einen strategischen Käufer. Immer mehr passieren Secondary Transaktionen. Also wo wir unser Anteil verkaufen an einen Folgeinvestor, welcher auch schon Anteil hat, oder jemanden der noch keine Anteile hat und einsteigen möchte.

Interviewer:

Der Austausch mit PE und M&A Advisor, beeinflusst dies Euch bei der Auswahl von den Start-Ups?

Interviewee:

Gute Frage, vermutlich schon. In der Regel erzählen uns die aber nichts, was wir nicht schon wussten. Man hat immer eine generische Sicht und eine spezifische Sicht. Die können natürlich spezifisch zu einer Firma viel sagen, aber zu diesem Zeitpunk haben wir das Investmetns bereits schon gemacht. Und generisch, lernt man aus den Gesprächen auch, wie attraktiv ein spezfischer Markt ist. Allerding sind wir eher die, welche den M&A Advisors sagt, was aktuell heiss ist. Weil wir die sind, die an der vorderster Front sind. Also es ist eher umgekehrt. Sie schauen aus sicht Käufer, wir schauen, was passiert an der vordersten Front. Wo finden disruptive Veränderungen statt. Aber ich würde sagen ein gewisser Einfluss haben die auch. Das Geschäft ist realtiv einfach. Wir investieren in eine Firma und versuchen die nachher wieder zu verkaufen. Und für diesen Verkauf braucht es einene Markt. Und da versuchen wir natürlich schon in Firmen zu investieren ganz generell wo es auch ein Markt gibt. Also beim Zeitpunkt vom Investment, stellen wir Hypothesen auf betreffend dem Exit. Also wo wird dies Firma verkauft, für wen ist es attraktiv etc. Und wenn wir das nicht sehen, also dass es kein realistischer Fall gibt für einen Exit oder nur kleines Käufer Universum oder es ist etwas wo nicht einfach ist, dann investieren wir auch nicht.

11.4.7.2. English Translation – Redalpine Venture Partners AG

Interviewer:

First phase, how do you go about identifying startups?

Interviewee:

The difficult part is identifying them. And we look at 3,500 to 4,000 pitch decks per year and then make 6-8 investments. So, it's a very selective selection. What we have stopped doing is just looking at deal flow that is sent to us that doesn't come through our network. So, we don't look at it anymore, simply because we don't have capacity. If you analyze, the average quality is weak. That is, our deal flow comes from our network. They are people we know and have perhaps invested together in the past or are entrepreneurs themselves. If one of them says, look, this is an interesting team or they are doing something cool, then that is a pre-qualification, so to speak. This is extremely valuable for us. Then we also take a proactive approach. We define certain areas where we expect disruptive changes in the coming months to years. We then form a kind of investment hypothesis there. Then we go out and try to find the best team in Europe to address the issue. And then it is often the case that we turn the tables. Typically, startups come to us and knock and ask for money. And when we go with the proactive approach, we knock and ask if we can invest. That's a very big difference and extremely successful. But of course, you can't manage a large mass that way. The third part is a data-based approach, where we use tools, data tools. Then we evaluate this based on desired signals. So, we try to identify promising starting points. Example: If a successful start-up or company in our portfolio, or not, jumps off and founds something new, then we want to know what they are doing. This is then a potential opportunity for us.

Interviewer:

When you proactively approach startups, are you responding to some sort of competition among VCs here, or does it not really exist that way?

Interviewee:

It's very different and different in each case. There are competitive situations, but as a rule it is more the case that we form a syndicate. The realization is almost the same everywhere, that together you are stronger, and you do not have to unnecessarily spoil the prices. So, I don't want to say that this doesn't exist at all, but usually it's not a limiting factor.

Interviewer:

Do you have minimum criteria when you make an investment in start-ups?

Interviewee:

Yes and no, we are sector agnostic. That is, if we invest in a SaaS company, then yes, we want to see more KPIs. Usually with a SaaS company, its customers, paying customers, and revenue, etc. So, we want to see growth. Then we have other companies that are rather further away from the market and developing a product or technology and there we don't look at revenue, but rather proof of concept, or is there a proof of customer interest somewhere, so for example with a letter of intent. We might talk to one or more potential customers there. So, the criteria are very different. The most important criterion by far is the quality of the founding team.

Interviewer:

Do you do all the due diligence yourself in House or how do you go about it there?

Interviewee:

Well, we are a team of 32 people. Currently in two locations, in Berlin and in Zurich. This is very interdisciplinary, we have people with a background in software engineering, doctors, biotechnologists, molecular technologists, we also have a physicist in the team, so in the topics that we invest in, we also understand them down to the deepest detail. In the case of a biotech, we can do the due diligence ourselves. It is not the case that we are always experts everywhere and then there is the situation that we work together with professors from colleges and universities for special topics. We also know them through our network. But we can do the broad outlines of a due diligence ourselves. So also, IP due diligence, see what the value of the patent is. We are not patent specialists, we can read them, and we have an idea, but there we do an IP due diligence, where we mandate someone. You don't just want to see whether the patents can be protected, but it also has to be new know-how and you want to see whether it has freedom to operate. So of course, it would be stupid to invest in something and then it conflicts with another patent. We also always have a legal due diligence and there we need lawyers.

Interviewer:

Now when you compare the funds, between the first and the last, was there a shift in the stages?

Interviewee:

So in 2007 we started and since then we have evolved with the market and the ecosystem. We kind of do a mix per fund, some are extremely early where we invest. So, we do a portfolio per fund, and we invest in about 17-20 investments and there are some that are very early and some that are a little bit later. It's a little bit of a mix. At the end of the day, it's really more seed to Series A. What we have, we have a fund now called the Summit Fund and that's a different vehicle. That invests in late stage, directly in very successful companies from our own portfolio and other successful sector leaders where we come in at a late stage. That's always as a co-investor. In addition, Summit Fund also makes fund-of-fund investments through our own funds. So, with one fund product you can cover the whole chain from pre-seed to pre-IPO.

Interviewer:

Once the investment has been made, how do you go about company building?

Interviewee:

That's where I always say, in analogy, we're like, if you think of it as a football game, the team, the ones playing on the field, they have to win. And we do everything, on the side lines, to make them win. So, we motivate, massage, bring tea, coach, do transfers, sell ticks, so we just do everything so that they win. But we don't really intervene operationally in the game. Concretely, we help with team building, fundraising rounds, strategy, specific tasks e.g., in marketing. One of the most important tasks we have is, if a team is not so experienced, then point out the most important situations, where they themselves do not see. We say, for example, look, here comes this and this hurdle or problem. And we can already start to solve it before it happens. So, the experience that we bring in is very valuable. So that's also the idea that we move the team forward faster than without us.

Interviewer:

Team building, also means a kind of recruiting?

Interviewee:

Very different, but when we invest it is maybe a team of 10 people, or even less. And with our money and with the growth, then maybe they grow to a team of 100 people and that offers huge challenges on all levels. So, for example, finding people, structures, processes, culture - that's enormously challenging for someone who has never done that before. That's where we can help tremendously. We don't recruit ourselves, so we are not head-hunters, but we do have people in our network from time to time who are well suited for such situations. It is important to note that we are always a minority shareholder. We cannot decide, we can only advise. The decision and the determination must be made by the Founder Team or Management Team.

Interviewer:

How often are you in an exchange with the start-ups?

Interviewee:

Depending on that and depending on the phase daily, weekly, or monthly. It is very different. We are always represented on the board, with exceptions. But the interactions are very diverse. Well, I have a WhatsApp channel with all the startups for which I am responsible. Sometimes we’re on it every day. They also ask stuff, or I ask stuff, so the channel is open 24/7.

Interviewer:

Do you put more energy on those who are on the winning track or more on those who are at risk?

Interviewee:

Yes, that's the secret of it all actually. So actually, if you use your energy and resources to prevent failures, then you make a huge mistake. Because you lose the money at most once. But if you use your energy to support winners, then you win the money 10, 20, 30 times or even more times. So where to use resources, energy, and money? Logically at the Winners. The main problem is that there is a human tendency to take care of the weak. But if you want to be successful in a portfolio, you have to decide quite quickly where it is worth investing time and money and where not. Then you just have to separate or find other solutions.

Interviewer:

Exit, what is your typical strategy?

Interviewee:

There are 3 variants. Superficially, either the company is sold, i.e., a trade sale, usually a strategic buyer or private equity buyer. The second variant is an IPO, i.e., an initial public offering. Third variant, we sell our share to another investor. That's where you're relatively opportunistic. The difficulty is when there is interest from a potential buyer. Is it the right time? You always have to ask yourself, isn't it worth more at a later date? The decision is very difficult in this respect, for example, one invests early in a company and the value of our shareholding has increased fivefold over time and then one can sell the share. But then you have the feeling that if you stay with the company for another year, the value of the company will double again. Then it would be a total multiple of 10x for us. And the last doubling has an extreme impact on our multiple. That is why the decision is not an easy one. It is often a decision where you ask yourself, what is your strategy? This strategy is very different every time and you have to take into account the situation of the company and the situation of the market. If you look at today's market, you see that it has become a bit more difficult. And if you had an offer for a sale last year, a year ago, then looking back it is or was very exciting. On the other hand, a year from now, the environment looks better again. And exactly those companies that have come through such a weak phase are worth much more afterwards. You simply have to make this assessment constantly. You don't leave it to chance. We talk to our portfolio companies relatively early and systematically. M&A advisors and investment banks are then brought into play. It is not a matter of distributing a mandate. But it is about being on the radar of such deal makers early enough that when a situation arises, we are already up-to-speed.

Interviewer:

Between the three scenarios, which applies to you the most?

Interviewee:

The most common case is trade sale. This means sale to a strategic buyer. Secondary transactions happen more and more. So where we sell our shares to a subsequent investor who already has a share, or someone who does not yet have a share and wants to get in.

Interviewer:

The exchange with PE and M&A advisors, does this influence you in the selection of start-ups?

Interviewee:

Good question, probably so. But as a rule, they don't tell us anything we didn't already know. You always have a generic view and a specific view. Of course, they can say a lot about a specific company, but at this point in time, we've already done the investing. And generically, you also learn from the conversations how attractive a specific market is. We tend to be the ones who tell the M&A advisors what is hot. Because we are the ones who are on the front line. So, it's rather the other way around. They look from a buyer's perspective; we look at what's happening on the front line. Where are disruptive changes taking place. But I would say a certain amount of influence they have as well. The business is relatively simple. We invest in a company and try to sell it afterwards. And for this sale we need a market. And of course, we try to invest in companies where there is a market. So, at the time of the investment, we make hypotheses regarding the exit. So where will this company be sold, for whom is it attractive etc.? And if we don't see that, that there is no realistic case for an exit or only a small buyer universe or it is something that is not easy, then we don't invest.

11.4.8. Sparrow Ventures

Sparrow Ventures is a VC in Zurich that strives to make an impact in various areas such as Sustainability, Circular Economy, or Digital Health to name a few. As part of the Migros group, Sparrow Ventures builds strong businesses by leveraging Migros' assets. Sparrow Ventures positions itself as actively building ventures from concept creation to entering specific markets that are not accessible otherwise. Currently, there are 8 start-ups in the portfolio of Sparrow Ventures. In total, the venture capital firm has had 13 exits, which means that Sparrow Ventures has made 21 investments. The investments were mainly made in start-ups based in Switzerland, but a few start-ups based in Germany also received funding. Interview Partner is Maurin Rüegg, an investment manager at Sparrow Ventures. He holds a master's degree at the university of St. Gallen in Accounting & Finance and has been with Sparrow Ventures since 2019. The goal is to take certain aspects from this interview that are similar to independent VCs. As it is rather a corporate venture capital, the exit and selection phase might not be comparable, but the deal flow and post-investment involvement phase can be.

11.4.8.1. Interview Transcript – Sparrow Ventures

Interviewer:

Deal Flow Generation, wie geht Ihr hierbei vor?

Interviewee:

Wir haben zwei verschiedene Ströme, wie Start-Ups in den Deal Flow kommen. Wir unterscheiden zwischen Inbound and Outbound. Inboud bedeutet grundsätzlich, dass Start-Ups auf uns zukommen. Entweder über E-Mail Adresse via unserer Webseite und wir tun dies regelmässig abarbeiten und intern besprechen 1x pro Woche. Dann schauen wir ob wir mit diesen Start-Ups weitermachen oder nicht. Inbound kann auch sein, dass Start-Ups weitergeleitet werden. Zum einen durch Bekannte oder Leute aus dem Netzwerk oder auch durch andere VC Unternehmen. Dort sind wir recht gut im Austausch, sodass wir mit den meisten VC Firmen in der Schweiz vernetzt sind. Sie wissen, was unsere Kriterien sind. Dann kommt es oft vor, dass Start-Ups andere VCs angehen und die VCs merken denn, dass es nicht zu ihnen passt aber etwas für Sparrow sein könnnte. Dann leiten sie es weiter. Oder auch wenn ein VC bereits investiert ist in einer frühen Phase und sie einen Exit machen möchten, dann kommen sie auf uns zu, da wir schon bisschen später investieren. Wir gehen auch auf Events z.B. Start-Up Nights in St. Gallen, Start-Up Days in Bern, Pitch Events etc. Dann haben wir auf der anderen Seite Outbound. Das bedeutet wir kontaktieren die Start-Ups. Dort haben wir beispielsweise PitchBook als Online Tool für das Sourcing von potentziellen Start-Ups. Mit dem Newsalert erhalten wir da jeweils News und werden auf weitere Start-Ups aufmerksam. Zudem machen wir auch einfachen Desk-Research via Internet oder Start-Up Ticker. Dann gehen wir auf das Start-Up zu und versuchen einen Call zu organisieren. Oder wenn schon ein Investor drin ist wo man kennt, dann gehen wir über diesen meistens.

Interviewer:

Was sind Eure Investment Kriterien, wie früh könnt Ihr investieren?

Interviewee:

Ja also wir haben recht viel Investment Kriterien. Wir unterscheiden uns schon zu finanziell getriebenen Investoren. Wir sind eher bereits ein strategischer Investor. Darum schauen wir stark auf den startegischen Fit. Also unser Ziel ist schon das ein Start-Up irgendwann in die Migros integriert werden kann. Das ist eine Voraussetzung, dass wir investieren können. Es heisst nicht, dass es unbedingt passieren muss, aber das Potenzial für eine Übernahme sollte da sein. Bezüglich der Grösse, also wir sind ungefähr bei Series A und Series C. Wir haben min. Ticket grösse von CHF 1 Mio. Das Start-Up sollte auch bereits ca. 1 Mio. Umsatz pro Jahr gemacht haben. Da schauen wir uns vorallem den Monat an und rechnen es dann hoch auf 1 Jahr, um dies zu überprüfen. Dort unterscheiden wir uns zu ganz early-stage Investoren. Also bei uns muss ein Product-Market fit passiert sein und erste Kunden haben.

Interviewer:

Die Due Diligence, passiert die in-house?

Interviewee:

Also vom Process her machen wir es so, dass wir zuerst eine Pre-Due Diligence machen bevor wir ein Term-Sheet abgeben. Das ist eher eine oberflächliche Due Diligence wo wir Marktgrösse, Wettbewerbsumfeld, Produkt selber und der Finanzplan anschauen. Da tauchen wir noch nicht in die Details ein. Nach dem unterzeichneten Term-Sheet, erst dann gehen wir in die eigentliche Due Diligence Phase. Meistens machen wir alles intern. Also entweder bei uns im Team von Sparrow Ventures. Da machen wir meistens die commercial und financial Due Diligence selber. Wenn es um Legal Due Diligence geht, da gehen wir auf die Rechtsabteilung von Migros zu, die verstehen da mehr. Tech Due Diligence schauen wir immer, wie tief müssen wir wirklich rein gehen. Das haben wir auch schon intern gemacht. Da haben wir ein Head of Tech innerhalb von unserem Company Building Team. Also eigentlich sind sicherlich so ¾ der Due Diligence bei Sparrow Ventures. Es kann auch vorkommen, dass wir externe mit einbeziehen ausserhalb der Gruppe, das ist aber eher selten.

Interviewer:

Von den Investments, hat sich da der Stage verschoben über die Zeit?

Interviewee:

Ziel ist schon, dass wir bei der definierten Grösse einsteigen können. Wir haben auch schon paar gehabt, die früher passiert sind. Da waren die Kriterien noch nicht ganz erreicht. Aber der strategische Fit war da. Also das Ziel ist immer jemand innerhalb der Gruppe abzuholen, wo das Investment unterstützt. Beispielsweise die Migros Bank findet das Start-Up im Fintech Bereich sehr spannend und unterstützt es. Also der Shift zu leicht frühphasig hat es schonmal gegeben. Bei den Kriterien müssen natürlich nicht alle immer auf grün sein. Wir schauen immer das Big-Picture an.

Interviewer:

Die Post-Involvement Phase, wie geht ihr da vor und was macht ihr in diesem Bereich?

Interviewee:

Also wenn wir ein Investment machen, dann sind wir nicht so stark involviert. Also wir sind nicht ein super aktiver VC. Also wir machen das klassische Portfolio Management. Wir haben meistens einen Sitz im VR oder ein Beobachter Sitz, dass wir nahe dabei sind. Aber wir versuchen das Start-Up eigenständig laufen zu lassen. Die Gefahr ist, wenn ein Corporate zu stark sich involviert, sich in den Weg stellen könnte für weiteres Wachstum. Das versuchen wir zu verhindern. Wir sind dann meistens da, wenn die Start-Ups sagen, hey, wir würdgen gerne mal mit der Migros reden, da wir in das Sortiment kommen wollen. Da versuchen wir die Türen zu öffnen innerhalb der Gruppe, aber wir versuchen nicht zu aktiv zu sein. Was wir schonmal gehabt haben, ist dass wir ein Investment gemacht haben in ein Start-Up in Deutschland und die wollten dann den Markteintritt in die Schweiz machen. Dort haben wir versucht zu unterstütztten. Der Standard ist schon so, dass wir wenig oder kein operativen Einfluss haben.

Interviewer:

Wie oft steht man im Austausch mit den Portfolio Companies?

Interviewee:

Also es kommt sehr drauf an. Wenn wir das Gefühl haben, dass wir Einfluss nehmen müssen, dann kann es auf wöchentlicher Basis sein. Dann haben wir kleinere Portfolio Unternehmen, wo wir fast kein Anteil haben. Dort haben wir einfach ein monatliches oder quartal Reporting. Da haben wir dann zum Teil nicht viel Interaktionen. Im Schnitt ist es so auf monatlicher Basis. Dies ist aber sehr unterschiedlich. Vorallem kommt es drauf an, wie gross ist das Unternehmen und wie viel ist at stake respektive wie gross unser Investment ist. Natürlich auch immer an den VR Sitzungen sind wir dabei.

Interviewer:

Ein Platz im VR, ist das die Norm?

Interviewee:

Also wenn wir Lead Investments machen, dann ja. Ich würde sagen mehrheitlich sind wir entweder im VR or mit einem Beobachter Sitz. Wenn wir nur ein kleines Investment machen mit einem kleinen Anteil, dann eher nicht. Da macht es dann keinen Sinn und meistens erhält man dann auch keinen Sitz.

Interviewer:

Steckt man eher Energie, die on the Winning Track sind oder eher in die, die at risk sind?

Interviewee:

Immer in die at risk tendenziell. Dort kann man auch noch mehr beeinflussen. Wenn es läuft, dann kann man es laufen lassen. Eher wenn wir merken, dass das Start-Up stark unter Budget ist und sie ihr Potenzial nicht ausschöpfen, dann versuchen wir ein wenig Einfluss zu nehmen. Da ist das einte und die andere Ausprägung ist halt, wie gross unser Investment ist. Es macht einen unterschied wenn wir eine halbe Mio. investiert haben verglichen mit einem Investment von 20-30 Mio. Dann schauen wir schon stärker auf das.

Interviewer:

Exit Phase, was sind bei euch die typischen Szenarien?

Interviewee:

Bei uns ganz klar, Exit an die Migros. Da wir ein strategischer Investor sind und das Ziel haben einen EBITDA Beitrag für die Migros zu leisten. Daher versuchen wir Investments zu machen, welche wir später an die Gruppe exiten können. Das kann zum Beispiel ein Fintech Start-Up sein, wo wir das Investment machen, Series A und nach 4-5 Jahre Portfoliomanagement, dann könnte es potenziell an die Migros Bank gehen als Exit. Es gibt aber natürlich auch das Szenario, dass wir unsere Anteile an einen anderen Investor weiterverkaufen. Aber das Ziel ist eher ein Exit an die Gruppe. Aber dadurch das wir noch nicht so lange am Markt sind, haben wir die grossen Erfahrugswerte noch nicht sammeln können.

11.4.8.2. English Translation – Sparrow Ventures

Interviewer:

Deal Flow Generation, how do you go about this?

Interviewee:

We have two different streams of how startups get into deal flow. We distinguish between inbound and outbound. Inbound basically means that start-ups approach us. Either via email address via our website and we do this regularly and internally discuss

1x per week. Then we see if we continue with these start-ups or not. Inbound can also be that start-ups are forwarded. On the one hand through acquaintances or people from the network or also through other VC companies. There, we have a pretty good exchange, so we are networked with most of the VC firms in Switzerland. They know what our criteria are. Then it often happens that start-ups approach other VCs, and the VCs realize that it doesn't fit them but could be something for Sparrow. Then they pass it on. Or even if a VC is already invested in an early stage and they want to make an exit, then they come to us, because we already invest a bit later. We also go to events e.g., Start-Up Nights in St. Gallen, Start-Up Days in Berne, Pitch Events etc. Then we have outbound on the other side. That means we contact the start-ups. There we have for example PitchBook as an online tool for sourcing potential start-ups. With the News alert, we receive news and become aware of other start-ups. We also do simple desk research via the Internet or Start-Up Ticker. Then we approach the start-up and try to organize a call. Or if an investor is already known, then we usually go through him.

Interviewer:

What are your investment criteria, how early can you invest?

Interviewee:

Yes, so we have quite a lot of investment criteria. We differ from financially driven investors. We are more of a strategic investor. That's why we look strongly at the strategic fit. So, our goal is that a start-up can be integrated into MIGROs at some point. That is a prerequisite for us to be able to invest. It doesn't mean that it necessarily has to happen, but the potential for an acquisition should be there. Regarding the size, we are roughly at Series A and Series C. We have a minimum ticket size of CHF 1 million. The start-up should also have already made about 1 million in sales per year. We look at the month and then extrapolate it to 1 year to check this. This is where we differ from very early-stage investors. So, for us, a product market fit must have happened and have the first customers.

Interviewer:

Due diligence, does it happen in-house?

Interviewee:

So from a process point of view, we first do a pre-due diligence before we submit a term sheet. This is more of a superficial due diligence where we look at market size, competitive environment, the product itself and the financial plan. We don't dive into the details yet. After the signed term sheet, only then do we go into the actual due diligence phase. Most of the time we do everything internally. With us in the Sparrow Ventures team. We usually do the commercial and financial due diligence ourselves. When it comes to legal due diligence, we go to the legal department of MIGROS, they know more about it. Tech due diligence, we always look at how deep we really have to go. We have already done this internally. We have a Head of Tech within our company building team. So actually, certainly about ¾ of the due diligence is done at Sparrow Ventures. It can also happen that we involve external parties outside of the group, but that is rather rare.

Interviewer:

Of the investments, has the stage shifted over time?

Interviewee:

The goal is already that we can enter at the defined size. We have already had a few that happened earlier. The criteria were not quite reached. But the strategic fit was there. So, the goal is always to pick up someone within the group where the investment supports. For example, MIGROS Bank finds the startup in the fintech area very exciting and supports it. So, the shift to slightly early-stage has happened before. Of course, not all criteria have to be green. We always look at the big picture.

Interviewer:

The post-involvement phase, how do you go about that and what do you do in that area?

Interviewee:

So when we do an investment, we're not that involved. So, we are not a super active VC. So we do classic portfolio management. We usually have a seat in the Board of Directors or an observer seat that we are close to it. But we try to let the startup run independently. The danger is if a corporate gets too involved, it could get in the way of further growth. We try to prevent that. We are usually there when the start-ups say, hey, we would like to talk to MIGROS, because we want to get into the assortment. So, we try to open the doors within the group, but we try not to be too active. What we have had before is that we made an investment in a start-up in Germany, and they wanted to enter the Swiss market. We tried to support them there. The standard is that we have little or no operational influence.

Interviewer:

How often do you interact with the portfolio companies?

Interviewee:

So it depends a lot. If we feel that we need to influence, then it can be on a weekly basis. Then we have smaller portfolio companies where we have almost no share. There we simply have a monthly or quarterly reporting. Then we don't have a lot of interactions in some cases. On average, it is on a monthly basis. But this is very different. Above all, it depends on how big the company is and how much is at stake or how big our investment is. Of course, we are always present at the board meetings.

Interviewer:

A seat in the board, is that the norm?

Interviewee:

So when we make lead investments, then yes. I would say the majority of the time we are either on the board or with an observer seat. If we only make a small investment with a small share, then rather not. Then it doesn't make sense and most of the time you don't get a seat.

Interviewer:

Do you put more energy into those who are on the winning track or more into those who are at risk?

Interviewee:

Always in the at-risk tendency. There you can also influence more. If it's running, then you can let it run. Rather, if we notice that the start-up is heavily under budget and they are not exploiting their potential, then we try to exert a little influence. That's one thing and the other is how big our investment is. It makes a difference if we have invested half a million compared to an investment of 20-30 million, then we look more closely at that.

Interviewer:

Exit phase, what are the typical scenarios for you?

Interviewee:

For us, it is quite clear that the exit is to MIGROS. Since we are a strategic investor and have the goal of making an EBITDA contribution to MIGROS. Therefore, we try to make investments that we can later exit to the group. That could be, for example, a fintech start-up where we make the investment, Series A and after 4-5 years of portfolio management, then it could potentially go to MIGROS Bank as an exit. But of course, there is also the scenario that we resell our shares to another investor. But the goal is rather an exit to the group. But because we have not been in the market for so long, we have not yet been able to gather the great experience.

11.4.9. Mila AG in liquidation

The start-up Mila AG in liquidation was a spin-off of Swisscom. Basically, the company brought technical experts together with people who are looking for help and have a problem with their computer, Wi-Fi, TV, or other electronic devices. The service platform was based in Zurich and was expanding globally when the change in the global economic climate of the recession brought unforeseen challenges. Before closing its doors in March 2023, the start-up operated in Germany, France, and England. The start-up had not only Swiss VCs as investors, but also a venture capital firms from Silicon Valley, namely Oriza Ventures and Plug and Play Ventures. In addition, the start-up had also venture capital firms from Italy and Germany on board. Interview partner is Christian Viatte, the founder and CEO of the start-up. He was also the former head of service experience and innovation at Swisscom.

11.4.9.1. Interview Transcript – Mila AG in liquidation

Interviewer:

Am Anfang, in der ersten Phase, um den Kontakt herzustellen, wie lief das ab?

Interviewee:

Schlussendlich bin ich bei allen durch mein Netzwerk. Ich habe geschaut welche VCs sind interessant für uns und wo kenn ich wer, wer wiederum jemand kennt. So bin ich über mein Netzwerk an die VCs herangekommen und habe sich auch getroffen. Plug and Play Ventures habe ich vorhin mal getroffen, bevor sie investiert haben. Da habe ich mal ein Partner getroffen und bin dann auch pitchen geganen als ich in Amerika war. In der Schweiz habe ich ein Partner gekannt von Alpana Ventures, welcher uns gut kannte. Über ihn sind dann auch die Türen aufgegangen. In Deutschland habe ich bei einem Deal Flow Pitching Event mitgemacht. Da gibt es immer solche Events. Es ging am Schluss immer über Kontakte. Es bringt nichts 100 Pitch Decks zu verschicken, sondern man muss herausfinden, welche zu einem passen könnten. Wir haben mit Amerikanern und Europäischen VCs gerabeitet, weil unser Plan gewesen ist in die USA zu gehen. Darum haben diese VCs auch Sinn gemacht. Es gab natürlich schon grosse Unterschiede in meiner Wahrnehmung. Also das einte ist, dass amerikanische VCs wollen die nächste grosse Story sehen, die wollen an das nächste grosse Ding glauben, die investieren vorallem in die Zukunft. Bei den Europäischen oder auch Schweizer, sie wollen nicht all zu gross investieren, aber sie sind eher die, welche in die Vergangenheit schauen. Zum Beispiel, wie war die Traction und man ist dort eher defensiver als die Amerikaner. Die Amerikaner wollen das nächste grosse Story haben und investieren auch sehr stark in Gründer und in das Team und Vision. Das ist der grosse Unterschied. Ich sage nicht das Europäer oder Schweizer das gar nicht machen, ich sage einfach, dass es Abschwächungen drin gibt im Verhalten.

Interviewer:

Wo es nachher um die Due Diligence gegangen ist, war dies vom Aufwand her vergleichbar?

Interviewee:

Ja ich würde sagen, wir haben für die Due Diligence ein ganzer Share zur Verfügung gestellt, wo man alle Dokumente bereit stellt. Da sind natürlich ein paar Fragen von den Amis gekommen und ein paar Fragen von den Europäern. Wir haben dann alle Antworten allen bereitgestellt. Es hat immer wieder Themen gegeben, wo die einten mehr wissen wollten. Ich würde mal sagen die Amerikaner schauen sehr stark auf das Potenzial. Das heisst, wie gross denkst du, wie sieht dein Business Case aus, wächst du in den nächsten Jahren einfach 20%-30% oder wachst man 200-300%. Das ist einfach die Skallierung, auf welche die Amis sehr sehr heiss sind. Bei den Europäern war es so, dass man mehr pessimistisch war. Es haben beide Zahlen geprüft. Was bei den amerikanischen VCs ganz ganz wichtig ist, ist dass die Story einfach brennt. Das heisst man sieht es auch in Europa, dass Pitch Decks gemacht werden mit viel zu vielen Details. Das schauen die Amerikaner gar nicht an. Dann verliert man sie, die wollen wirklich Sales sehen, das nächste grosse Ding sehen. Das muss auch beim pitchen rüber kommen. Das heisst wenig Botschaften drauf, aber die müssen brennen. Dann noch ein wenig untermauern mit Zahlen und dann sind sie langsam interessiert einzusteigen. Die Europäer sind schon eher gewöhnt ein wenig mehr Informationen zu bekommen, aber die Amis sind daran nicht so interessiert. Dort muss man die Story mit wenigen Worten erklären können.

Interviewer:

Von der Technologie her, haben sie da auch eine Due Diligence gemacht?

Interviewee:

Ich meine es gibt die technische Due Diligence, wo man reinschaut. Ich denke bei einer pre-seed oder seed ist es ein wenig weniger als bei einer series A. Es kommt natürlich auf das Ticket drauf an, in was investiert man. Da schaut ein Experte auf dem Gebiet mal rein. Das machen aber beide Amerikaner wie auch Europäer, da gibt es kein grossen Unterschied. Ich denke was bei den Amis ganz wichtig ist, sind Trends. Trends wo man drin ist. Zum Beispiel nutzt man Artificial Intelligence, ist es Blockchain und solche Themen, wenn man das dabei hat ist man von der Bewertung her auch gleich in einem anderen Bereich und kann grössere Tickets lösen. Also dort sind sie sehr stark drauf. Also welches Thema momentan gerade so ein wenig im hype ist. Wenn es weniger in diesen Themen ist, dann wird auch die Bewertung nicht gerade in den hochen Sphären sein, was aber nicht schlecht ist. Dann hat man auch weniger die Blase, wo nun an vielen Orten geplatz ist. Das ist ja das, was letztes Jahr stark in den USA passiert ist.

Interviewer:

Waren die VCs auch mit einem VR Sitz dabei?

Interviewee:

Der eine Ami VC war im VR am Schluss. Plug and Play Ventures nicht, da waren wir zu klein. Die halten sich zurück und sind im Hintergrund, da die einige hundert Investments tätigen. Die habe ich gepflegt einfach als Aktionär und hatte ein regelmässigen Austausch. Aber Oriza Ventures war drin und die haben auch recht mitgesteuert. Die Schweizer waren im Observer Seat und hatten einen Sitz zu gut und haben diesen mit einem Externen gefüllt. Zuerst haben sie einen Partner drin gehabt und haben es dann einem Externen gegeben. Ich selber hatte ich auch ein VR Sitz. Ich denke was man schon sagen muss, es gibt nicht nur Amerikanische VCs und Europäer, es gibt halt einfach auch Bankers und Entrepreneurs bei den VCs. Das ist schon ein grosser Unterschied. Also es gibt Fonds, welche mehr Banking angehaucht sind. Die haben gute Connections zu Limited Partner und versuchen da ihre Rendite heraushollen. Dann gibt es die Entrepreneurs, wo auch an etwas glauben und auch selber die Problem kennen und versuchen dem Unternehmen zu helfen durch die Probleme durchzukommen. Ich denke der Unterschied denn man merkt, dass solche Fond eine Rendite abwerfen müssen nach einer gewissen Zeit und ein Banker ist dort ein wenig schärfer drauf, dass dies in einem gewissen Zeitraum auch passiert. Ein Entrepreneur, welcher vielleicht sogar selber sein Geld drin hat und es ein wenig anderst ansieht, hat manchmal ein wenig längere Zeit. Natürlich am Schluss muss es sich dann trotzdem refinanzieren, aber ich denke man hat ein wenig andere Themen, die man disskutiert. In den USA habe ich einfach gemerkt, die Amis sind da, um einem zu helfen, aber man muss sie ziehen. Sie geben einem Tipps, aber sie haben Respekt von den Gründern und sprechen nicht per se rein, es sei denn man macht ein Mist. Dann ist klar, dann wird man ersetzt. In Europa hat man eher das Gefühl, dass man beim Geschäft auch ein wenig mitreden darf. Ich denke die Amis leben es sehr gut, dass sie die Gründer ermutigen wollen, befähigen. In Europa hat man eher das Gefühl man wüsse es und dann muss man die ein wenig managen. Ich denke wenn man sich von jedem einzelnen Investor reinreden lässt, dann baut man kein Business.

Interviewer:

Das leitet eigentlich über zur nächsten Thematik. Wenn das Investment passiert ist, wie stark ist dann der Austausch?

Interviewee:

Die Amis sind einfach da, und schauen ok, wie können wir dir helfen. Klar wir haben auch Reporting Auflagen und manchmal kommen dann auch fragen, aber sehr supportiv. In Europa ist man natürlich sehr nahe dran und man möchte wissen, was läuft. Ich würde sagen es ist nicht ein grosser Unterschied hier. Es ist einfach von der Philosophie her, dass die Amis, die sind, die sagen du bist der Gründer und wir sind supportive da. In Europa ist es halt einfach ein wenig so, dass man die Tendenz hat ein wenig reinzusprechen.

Interviewer:

Für was für Themen konnte man die VCs involvieren?

Interviewee:

Also zum Beispiel wenn es um Fundraising Stories gegangen ist. Da sind die Amis natürlich sehr gut gewesen. Gerade wenn es um pitching gegangen ist, haben die das natürlich extrem gechallenged und gefragt, wieso das die Gesellschaft nun benötigt und ist es das nächste Big Thing. Sie haben geholfen mit dem auf den Punkt bringen und das Potenzial zu zeigen. Sie haben mir auch die Trend mitgegeben, wo halt einfach im Silicon Valley früher erkennbar sind. Das der Downturn kommt, hat man bereits letztes Jahr im Januar in Amerika feststellen können. Wir hier in Europa hat man erst im August und September so richtig angefangen zu merken. Erst dann hat man gespürt, dass es jetzt anders wird. Ich denke mit diesen Trends, die Trends bekommt man in den USA viel früher mit und sie sind uns voraus. Man merkt halt schon, dass dort das Herzstück ist und dort pulsiert es. Wenn man dort ist spürt man auch eine ganz andere Energie. Also auf von den Leuten die dort arbeiten. Man spürt die Energie, man glaub an das nächste grosse Ding. In der Schweiz hat man Diskussionen über mehr Salär oder lieber Shares. In Amerika wollen alle lieber Shares. Das ist einfach eine ganz andere Kultur. Das spürt man auch wenn man mit VCs zusammenarbeitet. Die finden das einfach super. Die finden auch dich und das Start-Up super und sind stolz auf das und glauben daran. Du wirst dann auch als das nächste grosse Ding kommuniziert.

Interviewer:

Wie war es, wo es Richtung shut down gegangen ist?

Interviewee:

Ja ich denke da waren die Amis zu weit weg, weil wir einfach noch nicht live waren in den USA, was wir wollten. Entsprechend waren ihnen ein wenig die Hände gebunden. Als es darum ging die Durchfinanzierung zu erreichen, ist aus den USA nichts gekommen. Sie sagten sie können nicht, da sie selber Schwierigkeiten gehabt haben, respektive Korrekturen vornehmen mussten und dann in eine Europäische Firma zu investieren, welche noch nicht in den USA ist und wahrscheinlich auch in den nächsten 12 Monaten noch nicht in den USA ist, ist es schwer vertrettbar gegenüber ihren Investoren. Sie mussten überlegen wo investieren sie noch weiter und wo nicht, da waren wir dann nicht mehr dabei. Der Schweizer wäre sicher bereit gewesen zu helfen. Da hat uns die Schweiz überhaupt nicht fallen gelassen. Da war Deutschland schon wieder ein wenig schwieriger. Wir hatten dann auch wöchentliche Board Meetings als es dann um die Schliessung ging und die Amis waren auch da. Die Amerikaner waren sehr respektvoll. Sie sind sich das gewöhnt in Amerika, dort wird viel schneller geschlossen. In den USA wird voll auf eines gesetzt, aber man lässt es auch schneller gehen und sagt sich, kein Geld verschwenden. Wenn man schon glaubt, dass es schwer sein könnte, dann wir es auch wirklich geschlossen. Darum ist es in Amerika nicht wirklich ein fail, sondern viel mehr ein lernen und man macht das nächste. Und Europa lernt dies noch ein wenig. Man hat immer das Gefühl man investiert in etwas und dass muss dann erfolgreich sein. Nein es ist eben Hochrisikokapital, das darf man nicht vergessen. Das heisst, man hat eine grosse Rendite wenn es funktioniert, aber man verliert halt auch. Und ich denke da ist man eher noch ein wenig vorsichtiger. Man muss es auch mehr verdauen, es sind mehr Emotionen vorhanden. Von den Amis kann man hier auch lernen. Zum einen, dass sie schneller schliessen und sie geben mehr Geld. Also in Europa ist man vorsichtiger, man gibt immer ein wenig und das gibt auch nicht immer die Möglichkeit schnell Strukturen zu erarbeiten und was schneller wachsen zu lassen. Da ist man in Amerika schneller. Auf der anderen Seite ist vielleicht der Verlust ein wenig kleiner in Europa. Aber es gibt auch nicht wirklich die grossen Dinger. Die Risikoawareness ist anders in Amerika. Schlussendilch ist es Teil vom Game. Von 10 sterben 8 bis 9. Das ist normal.

11.4.9.2. English Translation – Mila AG in liquidation

Interviewer:

In the beginning, in the first phase, to make contact, how did that go?

Interviewee:

In the end, I got to all of them through my network. I looked to see which VCs were interesting for us and where I knew who, who in turn knew someone. That's how I approached the VCs through my network and also met them. I met Plug and Play Ventures before they invested. I met a partner there and then also pitched when I was in America. In Switzerland, I knew a partner from Alpana Ventures who knew us well. Through him, the doors opened. In Germany, I participated in a deal flow pitching event. There are always events like that. In the end, it was always about contacts. It's no use sending out 100 pitch decks, you have to find out which ones might suit you. We worked with American and European VCs because our plan was to go to the USA. That's why these VCs made sense. Of course, there were big differences in my perception. American VCs tend to seek the next big story and invest more in the future, the vision, and the team, while Swiss VCs look more at the history of the start-up and are somewhat more defensive than the Americans. The Americans want to have the next big story and they also invest very heavily in founders. That is the big difference. I'm not saying that Europeans or Swiss don't do that at all, I'm simply saying that there are downturns in behavior.

Interviewer:

Where it came to due diligence afterwards, was this comparable in terms of effort?

Interviewee:

Yes, I would say that we provided a whole share for the due diligence, where all the documents were made available. Of course, there were a few questions from the Americans and a few questions from the Europeans. We then provided all the answers to everyone. There have always been topics where some wanted to know more. I would say that the Americans are looking very strongly at the potential. That is, how big do you think, what does your business case look like, do you just grow 20%-30% in the next few years or do you grow 200-300%. That's just the scaling that the Americans are very very hot on. With the Europeans, it was like they were more pessimistic. They both ran numbers. What is very important with the American VCs is that the story simply burns. That means that you also see in Europe that pitch decks are made with far too many details. The Americans don't even look at that. Then you lose them, they really want to see Sales, to see the next big thing. That has to come across when pitching. That means few messages on it, but they have to burn. Then back it up a bit with numbers and then they are slowly interested in joining. The Europeans are more used to getting a little more information, but the Americans are not so interested. There, you have to be able to explain the story in just a few words.

Interviewer:

From a technology standpoint, have they done due diligence on that as well?

Interviewee:

I mean there is the technical due diligence where you look in. I think with a pre-seed or seed it's a little less than with a series A. It depends on the ticket, of course, what you're investing in. That's where an expert in the field looks in. But both Americans and Europeans do that, there is no big difference. I think what is very important for the Americans are trends. Trends where you are in. For example, if you use artificial intelligence, blockchain and such topics, if you have that, you're in a different area in terms of valuation and can solve bigger tickets. So that's where they're very strong on. So which topic is a little bit in the hype right now. If it is less in these topics, then also the evaluation will not be exactly in the high spheres, which is not bad. Then you also have less of the bubble where now in many places has burst. After all, that's what happened strongly in the US last year.

Interviewer:

Were the VCs also represented with a seat in the board of directors?

Interviewee:

The one American VC was at the end in board of directors. Plug and Play Ventures didn't, we were too small. They keep a low profile and are in the background since they have made several hundred investments. I cared for them simply as a shareholder and had a regular exchange. But Oriza Ventures was in on it, and they were also quite involved. The Swiss were in the Observer Seat and had one seat too good and filled it with an external. First, they had a partner in it and then they gave it to an external. I myself also had a VR seat. I think what you have to say is that there are not only American VCs and Europeans, but there are simply also bankers and entrepreneurs among the VCs. That is a big difference. So, there are funds that are more banking oriented. They have good connections to limited partners and try to get their returns. Then there are the entrepreneurs, who also believe in something and know the problems themselves and try to help the company to get through the problems. I think the difference is because you notice that such funds must yield a return after a certain time and a banker is there a little sharper on it that this also happens in a certain period. An entrepreneur, who perhaps even has his own money in it and looks at it a little differently, sometimes has a little longer time. Of course, in the end it still has to refinance itself. I think there are a few other topics that are discussed. In the USA I just noticed, the Americans are there to help you, but you have to pull them. They give you tips, but they have respect from the founders and don't talk in per se, unless you make a mess. Then it's clear, then you get replaced. In Europe, you have more of a feeling that you're allowed to have a little say in business. I think the Americans live it very well, that they want to encourage and empower the founders. In Europe, you would rather have the feeling that you know it and then you have to manage them a little bit. I think if you let every single investor talk you into it, then you don't build a business.

Interviewer:

That actually leads over to the next topic. If the investment happened, how strong is the exchange?

Interviewee:

The Americans are just there, and look ok, how can we help you. Of course, we also have reporting requirements and sometimes they ask questions, but very supportive. In Europe, of course, you're very close and you want to know what's going on. I would say it is not a big difference here. It's just from the philosophy that the Americans are the ones who say you are the founder, and we are supportive there. In Europe it's just a little bit that you have the tendency to talk a little bit into it.

Interviewer:

For what kind of topics could you get VCs involved?

Interviewee:

For example, when it came to fundraising stories. Of course, the Americans were very good at that. Especially when it came to pitching, they were of course extremely challenged and asked why society needs this now and is it the next big thing. They helped with getting to the point and showing the potential. They also gave me the trends that are simply recognizable earlier in Silicon Valley. That the downturn is coming was already apparent in America last year in January. Here in Europe, we only really started to notice it in August and September. Only then did we feel that things were going to change. I think with these trends, you notice the trends much earlier in the USA and they are ahead of us. You can already tell that the heart of the matter is there, and that's where it's pulsating. When you're there, you also feel a completely different energy. So on from the people who work there. You feel the energy, you believe in the next big thing. In Switzerland, there are discussions about more salary or rather shares. In America, everyone wants shares. It's just a completely different culture. You also feel that when you work with VCs. They just think it's great. They also think you and the start-up are great and are proud of it and believe in it. You are then also communicated as the next big thing.

Interviewer:

How was it where it went towards shut down?

Interviewee:

Yes, I think the Americans were too far away, because we simply weren't live in the USA yet, which we wanted. Accordingly, their hands were a little tied. When it came to through-financing, nothing came from the USA. They said they couldn't because they had difficulties themselves and had to make corrections and then to invest in a European company that is not yet in the US and probably won't be in the US for the next 12 months, it's hard to justify to their investors. They had to think about where to invest further and where not, so we were not there anymore. The Swiss would certainly have been willing to help. Switzerland did not drop us at all. Germany was a little more difficult. We also had weekly board meetings when it came to the closure and the Americans were also there. The Americans were very respectful. They are used to it in America, where they close much faster. In the US, they go all out for one thing, but they also let it go faster and say to themselves, don't waste money. If you already think it might be hard, then we really close it. That's why in America it's not really a failure, but much more a learn and you do the next one. And Europe is still learning this a little bit. You always have the feeling that you invest in something and that it has to be successful. No, it is high-risk capital, you must not forget that. That means you have a big return if it works, but you also lose. And I think you have to be a little more cautious. You also have to digest it more, there are more emotions. You can also learn from the Americans here. For one thing, they close faster, and they give more money. In Europe, people are more cautious, they always give a little, and that doesn't always give them the opportunity to quickly develop structures and grow things faster. In America, you are faster. On the other hand, perhaps the loss is a little smaller in Europe. But there are also not really the big things. Risk awareness is different in America. At the end of the day, it's part of the game. Out of 10, 8 to 9, which is normal.

11.4.10. Verve Capital Partners AG

Founded in 2007, Verve Capital Partners AG is a technology driven venture firm. The VC has invested in over 140 science and technology start-ups across Europe. With annual investments between EUR 60-70 Mio. Verve Capital Partners AG is one of the most active start-up investors in Europe. The majority of investments are done in Switzerland. The investment focus is on three verticals, namely digitalization, health & bio as well as robotics & drones. Interview partner is Steffen Wagner, co-founder, and co-CEO of Verve Capital Partners AG. In addition, Steffen Wagner is member of the advisory committee of the Swisscanto Growth Fund as well as on the committee of the European Space Agency and CERN.

11.4.10.1. Interview Transcript – Verve Capital Partners AG

Interviewer:

Wie betreibt ihr das Deal Sourcing respektive die Deal Flow Generation?

Interviewee:

Also weniger als 5% von den Start-Ups finden wir über den Weg, dass sich die Start-Ups bei uns melden und den Business Plan schicken. Zumindest wenn man es prozentual ausdrückt von denen Investments die wir tatsächlich machen. Das könnte überraschen, da man denkt, dass dies der grösste Teil ist. Wir bekommen auch sehr viel inbound Anfragen von Start-Ups. Also das spielt eine sehr kleine Warhscheinlichkeit, dass das zu einem Investment führt. Der Rest, also die 95% von den Investionen, welche wir tatsächlich machen, da sind wir eigentlich auf unser Netzwerk, was schon besteht, angewiesen. Wo angewiesen klingt so defensiv. Das ist eigentlich ein bewusster Entscheid. Und zwar gibt es da verschiedene Ausprägungen. Einerseits sind es Co-Investoren von uns und damit meine ich primär institutionelle Co-Investoren also andere VCs mit denen wir im engen Austausch sind. Und wo wir auch sehr viel Beziehungen pflegen, was daran liegt, dass wir schon in über 180 Start-Ups investiert haben in der letzten Dekade und über die Co-Investitionen mit anderen zusammen hat man working-relationships mit denen aufgebaut. Und etwa 40% vom Dealflow kommt über den Austausch mit denen. Und der Rest ist auch typischerweise in dem Sinn warm, als die Start-Ups auch oft von Privatinvestoren kommen. Also wir sind ein wenig ein spezieller Fall bei Verve, weil wir auch sehr viel Geld von Privatinvestoren investieren. Es gibt über 1'000 oder weit über 1'000 Privatinvestoren, welche über uns investieren.

Auch von denen kommt nicht nur Geld, sondern sehr oft auch interessante Leads und Hinweise auf Start-Ups. Und als allerletztes auf deine Frage, auch ein wichtiger Teil der Antwort ist, dass wir den Europäischen Markt aktiv monitoren. Das heisst wir haben eine Datenbank mit bald 10'000 Firmen, bei welchem wir jedes Jahr min. 6'000 Firmen plus, minus Informationen sammeln. Das mag sein, dass irgendjemand vom Team persönlich auf einem Event trifft oder über die liesst, telefoniert hat oder was auch immer. Das führt nicht immer sofort zu einer Investition logischerweise, aber es führt in vielen Fällen dazu, dass wir sagen, nun haben wir so viele Datenpunkte zusammen, dass wir aktiv einen Outreach machen. Das heissst wir warten nicht, bis die sich bei uns melden, sondern wir gehen raus und rufen die an. Dann sagen wir, dass wir das Gefühl haben, dass es jetzt der richtige Zeitpunkt ist für eine Investition und würden gerne mit den Founders darüber sprechen.

Interviewer:

Nächster Punkt, Stage, hat sich dieser verschoben über die Jahre?

Interviewee:

Bei Verve ist es so, dass wir mit der zusätzlichen Firepower, also mit dem zusätzlichen Investitionsvolumen was wir jedes Jahr gewinnen konnten mit unserem Wachstum, konnten wir es uns leisten auch noch in den Stages gegen hinten zu erweitern. Das heisst aber nicht, dass wir uns weg bewegen vom early-stage zu late-stage, sondern zusätzlich, was wir zu early-stage gemacht haben in Series B, C etc. reingehen können. Wir erweiteren eigentlich oder verbreitern den Stage-Fokus heute als noch vor einigen Jahren. Es ist unsere Strategie, dass wir versuchen ein Vehikel für Unternehmen aus allen Stages von einem Start-Up zu haben.

Interviewer:

Bei der nächsten Phase, wie wird das Company-Building betrieben?

Interviewee:

Also wir haben ein Team, es gibt bei uns Mitarbeiter, welche dediziert auf diesem Thema arbeiten. Das nennt sich bei uns intern Portfolio Success. Da versuchen wir bestimmte Aktivitäten für Portfolio Firmen machen. Das sind 4 Bereiche. Punkt 1, wir machen Intros zu Kunden und grosse Corporates. Das können wir recht gut, da wir viele von dene Entscheidungsträger und C-Level als Investoren bei uns haben. Das heisst für uns ist es relativ einfach die Intros zu machen. Punkt 2 ist das Recruting von Schlüsselpositionen. Also C-Level und CFOs und weil wir so highly networked sind als Firma können wir sehr effektiv helfen in gute Leute für wichtige Positionen zu finden. Punkt 3, wir begleiten die Portfoliofirmen, welche in Frage kommen, natürlich sind das nicht alle, in ihren Exit Prozess. Also kurz bevor sie ein Trade Sale ein IPO oder was auch immer machen. Gut, so kurz vorher ist es zum Teil gar nicht, es ist zum Teil schon mehr als ein Jahr vorher. Da tuen wir mit ihnen zusammen und unseren Partner auf den M&A Seite daran arbeiten, dass dies erfolgreich geschehen kann. Punkt 4, wir haben ein Expertenpool zu verschiedenen Themen, welche wir aktivieren können für unsere Portfolio Firmen. Da gibt es die unterschiedlichsten Sachen. Und das ist nicht bei allen Firmen gleich und hat etwas mit dem Stage zu tun. Wir können sagen, also das ist natürlich alles ein wenig vereinfacht, tendenziell ein wenig mehr machen, mit Ausnahme Exit, dass ist sehr late, aber mehr machen müssen im Bereich early-stage. Und wenn man so im Growth Stage ist bis dann zum Exit sind wir tendenziell ein bisschen weniger aktiv. Man kann auch sagen, dass wir aktiver sind wenn wir in einer bestimmten Phase sind also nicht in Stages gedacht, sondern in Phasen aus einer Value inflection oder Investment Logik. Das wir sagen, wir sind effektiver kurz nachdem wir das erste mal neu investieren. Da möchten wir wissen, funktioniert das Board und die Governance, ist die Dynamik gut und es kann dann auch sein, dass wir uns wieder ein wenig rausziehen, wenn wir sehen das funktioniert gut. Bei Value Inflection Points, also zum beispiel bei der Folgerunde der Finanzierung, da helfen wir wieder Folgeinvestoren zu finden. Also es gibt bestimmte Mikrophasen, wo wir aktiver werden als in andernen.

Interviewer:

Von der Erfahrung, steckt man eher Energie in die Winners oder in die, welche eher at Risk sind?

Interviewee:

Die wo winning sind. Also es ist natürlich nicht Black and White. Also manchmal kann man mit sehr wenig Zeitaufwand bei einem Problem Start-Up auch helfen. Da machen wir das natürlich. Man kann es auch ein wenig differnzierter betrachten. Wir haben bei uns eine Matrix, 2by2 Matrix, wo wir ein Start-Up einordnen. Je nachdem wo das Start-Up drin ist, also nicht einfach Winner and Looser, es gibt 4 Quadrante und je nach Quadrant sind wir unterschiedlich aktiv.

Interviewer:

Letzte Phase, Exit, was sind so die typischen Szenarien?

Interviewee:

Also am häufigstens ist sicherlich immernoch der Trade Sale. Innerhalb vom Trade Sale ist am häufigsten der strategische Käufer, weniger häufer ein Private Equity Player zum Beispiel. Der zweithäufigste ist ein Secondary. Also das wir unser Anteil verkaufen und aussteigen. Also dass kann auch mit dem Quadranten zu tun haben, wo die Firma drin ist. Also wenn wir zum Beispiel das Gefühl haben wir haben für uns ein genug guter Multiple erziehlt, dann kann das auch sein, dass nur wir rausgehen. Das dritthäufigste ist der IPO, welcher momentan ja nicht sehr häufig ist.

Interviewer:

Der Austausch mit den Exit Partner, hat der euch beeinflusst?

Interviewee:

Ja stark. Man lernt immer dazu und man weiss nie alles. Man kann wahnsinnig viel lernen aus dem Exit Prozess und den Erfahrungen. Wir haben das Glück, dass wir bereits 18x schon ein Exit begleiten konnten und erleben. Da investieren wir auch viel Zeit, daraus zu lernen, was es wiederum bedeutet für das Deal Sourcing, also in was für Unternehmen investiert werden soll. Also der Exit Pfad, Verkaufbarkeit, welche Assets welche Art von Käufer sehen möchte und welche nicht. Das spielt dann nicht nur bei der Auswahl von Unternehmen eine Rolle sondern auch in der Art und Weise wie man mit der Unternehmen arbeitet während der Haltezeit. Also worauf man priorisiert und wo auch nicht.

11.4.10.2. English Translation – Verve Capital Partners AG

Interviewer:

How do you conduct deal sourcing and deal flow generation?

Interviewee:

So less than 5% of the start-ups we find through the way that the start-ups contact us and send the business plan. At least if you express it as a percentage of those investments that we actually make. That might be surprising because you think that's the biggest part. We also get a lot of inbound requests from startups. So that plays a very small probability that that will lead to an investment. The rest, the 95% of the investments that we actually make, we are actually dependent on our network, which already exists. That is actually a conscious decision. And there are different types of investments. On the one hand, there are co-investors of ours, and by that, I mean primarily institutional co-investors, i.e., other VCs with whom we are in close exchange. And we also maintain a lot of relationships, which is due to the fact that we have already invested in over 180 start-ups in the last decade and through co-investments with others, we have built up working relationships with them. And about 40% of the deal flow comes through exchanges with them. And the rest is also typically warm in the sense that the startups also often come from private investors. So, we're a little bit of a special case at Verve because we also have a lot of money coming from private investors. There are over 1,000 or well over 1,000 private investors who invest through us. Not only money comes from them as well, but very often interesting leads and leads to startups. And last but not least to your question, also an important part of the answer is that we are actively monitoring the European market. That means we have a database of almost 10'000 companies, where we collect at least 6'000 companies plus, minus information every year. It may be that someone from the team meets them in person at an event or reads about them, has talked to them on the phone or whatever. That doesn't always lead to an investment right away logically, but it does lead in many cases to us saying, now we have so many data points together that we're actively doing outreach. That means we don't wait for them to get back to us, we go out and call them. Then we say that we feel that now is the right time to make an investment and we would like to talk to the founders about it.

Interviewer:

Next point, Stage, has this shifted over the years?

Interviewee:

With Verve it is so that we with the additional firepower, i.e., with the additional investment volume that we were able to gain each year with our growth, we could afford to expand even further in the stages towards the rear. This does not mean that we are moving away from early-stage to late-stage, but that in addition to what we have done in early-stage we can go into Series B, C, etc. We are actually expanding or broadening the stages. We are actually broadening or widening the stage focus today than we were a few years ago. It is our strategy that we try to have a vehicle for companies from all stages of a startup.

Interviewer:

At the next phase, how will company-building be done?

Interviewee:

So we have a team, we have employees who work specifically on this topic. Internally, we call this Portfolio Success. We try to do certain activities for portfolio companies. There are 4 areas. Point 1: We do intros to customers and large corporates. We are quite good at that, as we have many of the decision-makers and C-level as investors with us. That means it is relatively easy for us to do the intros. Point 2 is the recruiting of key positions. So, C-level and CFOs and because we are so highly networked as a company, we can help very effectively in finding good people for important positions. Point 3, we accompany the portfolio companies that are eligible, of course not all of them, in their exit process. So just before they do a trade sale, an IPO or whatever. Well, in some cases it is not that short before, in some cases it is already more than a year before. So, we work with them and our partners on the M&A side to make that happen successfully. Point 4, we have a pool of experts on various topics, which we can activate for our portfolio companies. There's a wide variety of things. And that is not the same for all companies and has something to do with the stage. We can say, so this is of course all a little bit simplified, tend to do a little bit more, with the exception of exit, that is very late, but have to do more in the early-stage area. And when you are so in the growth stage until then exit, we tend to be a little bit less active. You can also say that we are more active when we are in a certain phase, so not thought in stages, but in phases from a value inflection or investment logic. That we say we are more effective shortly after we invest for the first time. Then we want to know, is the board and the governance working, is the dynamic good and it can be that we pull out a little bit when we see that it works well. At value inflection points, for example at the follow-up round of financing, we help to find follow-on investors. So, there are certain microphases where we become more active than in others.

Interviewer:

From experience, do you put more energy into the winners or the ones that are more at risk?

Interviewee:

The ones that are winning. So of course, it's not black and white. So sometimes you can help with a problem start-up with very little time. That's where we do it, of course. You can also look at it a little more differentiated. We have a matrix, 2by2 matrix, where we classify a start-up. Depending on where the start-up is in it, i.e., not just winner and loser, there are 4 quadrants, and we are active in different ways depending on the quadrant.

Interviewer:

Last phase, exit, what are the typical scenarios?

Interviewee:

The most common is certainly still the trade sale. Within the trade sale, the strategic buyer is the most common. Less common is a private equity player, for example. The second most common is a secondary. So that we sell our shares and get out. So that can also have to do with the quadrant where the company is in. So, for example, if we feel that we have achieved a good enough multiple for us, then it can also be that only we go out. The third most common is the IPO, which is not very common at the moment.

Interviewer:

The exchange with the exit partners, did it influence you?

Interviewee:

Yes, very much so. You always learn something new, and you never know everything. You can learn a lot from the exit process and the experiences. We are lucky to have been able to accompany and experience an exit 18 times already. We also invest a lot of time in learning from this, what it means for deal sourcing, i.e., what kind of companies to invest in. So, the exit path, sale ability, which assets what kind of buyer wants to see and which not. This then plays a role not only in the selection of companies but also in the way one works with the companies during the holding period. So, what you prioritize and where you don't.

11.4.11. BackBone Ventures AG

Founded in 2018, BackBone Ventures AG is an early-stage VC based in Zurich with another office in Frankfurt am Main. Since the foundation BackBone has invested in 32 start-ups and has had 4 exits so far. The venture capital firm tends to be active in the pre-seed and seed stage in Switzerland and Germany. The majority of the investments were in Swiss start-ups. Interview partner is Philippe Bernet, who is one of the founding partners. He did his master's degree in St. Gallen in Accounting & Finance and has had international work experience in banks, start-ups, and venture capital companies.

11.4.11.1. Interview Transcript – BackBone Ventures AG

Interviewer:

Die erste Phase, Deal Flow Generation, wie geht ihr da vor?

Interviewee:

Gut, es sind 3 Pillars in dem Sinne, also der erste ist passiver Deal Flow. Das ist was über LinkedIn, über E-Mail reinkommt also einfach direkt was reinkommt von Start-Ups. Es ist quantitative am höchsten und qualitativ am schlechtesten. Es hat sich aber auch ein wenig geänder im Hinblick auf die klare Kommunikation vom Fokus auf underepresentative Founders. Das heisst dort kommt auch schon qualitativ bessere Sachen rein als auch schon. Zweites Topic ist andere Investoren, also andere VCs andere Business Angels oder unsere eigenen Investoren. Das ist eigentlich qualitativ sehr gut, will dort schon ein Vorqualifizierung stattgefundet hat, du hast schon Leute die wissen auf was man schaut und und die Themen verstehen. Das dritte Thema ist direct outreach. Also sei dies über LinkedIn oder so. Für uns ist halt ein wenig die Sache, dass wir die ersten Investoren sein wollen und man so nicht einfach schauen kann, okay, wo hat der andere VC investiert, sondern dann ist es für uns schon zu spät. Das heisst wir müssen sehr eng mit den Business Angels in Kontakt sein und müssen eng mit Gründern in Kontakt sein, wo dann eben mal gründen. Das sind so ein wenig die drei Streams.

Interviewer:

Wenn es um Selection geht, habt Ihr hier gewisse Minimums?

Interviewee:

Nein grundsätzlich nicht. Schlussendlich wird alles mit einer Valuation abgegolten. Je weniger da ist, desto höher das Risiko, desto tiefer die Valuation und beziehungsweise desto strenger die Terms. Unses Minimum ist, dass wir ein komplettes Founding Team sehen wollen, also oft CEO & CTO und das ist schon fast alles. Also oft ist aber irgend ein MVP (minimum viable product) da oder gewisser Stand von einem Produkt. Das ist aber kein Minimumrequirement bei uns. Wir stützen uns sehr stark auf das Team ab, da wir halt so früh unterwegs sind.

Interviewer:

In welchem Stage bewegt ihr Euch denn so?

Interviewee:

Pre-Seed, also voller Fokus auf pre-Seed. Das sind so Bewertungen zwischen CHF 2 Mio. und CHF 5 Mio. pre-money Bewertung.

Interviewer:

Gibt es da allenfalls mal oder hat es schon eine Verschiebung gegeben?

Interviewee:

Wir sind schon nach vorne gerutscht. Also wir sind vorhin im Seed Berich unterwegs gewesen, teilweise series A. Aber auch dort waren wir schon early A und sind jetzt voller Fokus auf pre-seed.

Interviewer:

Wenn es nachher zu einen Investment gekommen ist, wie versucht man das Company Building zu betreiben?

Interviewee:

Das ist natürlich sehr stark abhängig von den jeweiligen Portfolio Companies und deren ihre Skills beziehungsweise was ist vorhanden und was fehlt noch. Also das versucht man natürlich schon vor dem Investment abzuholen, wo sind die Stärken und wo die Schwächen und dann wenn man investiert ist, wo kann man die am meisten supporten. Wo hat man am meisten leverage, um das Team zu unterstützten. Also das ist sehr allgemein, dass kann alles sein. Das kann vom strukturieren eines ESOP (employee stock ownership plan) über B2B Sales Training und wo wir vorallem stark aufgestellt sind, ist im Bereich Folgerunden. Also wenn es wirklich darum geht die nächste Runde zusammenzubringen in Themen wie Pitch Deck, was ist die Story und auch Intros zu den folge VCs vorallem in der Schweiz und Deutschland. Wir haben aber auch UK und USA wo wir der einte oder andere kennen, aber dafür muss es dann auch gleich ein sehr guter fit sein.

Interviewer:

Wie stark schaut man da operativ noch rein?

Interviewee:

Wir sehen uns auf dem Beifahrersitz oder Rücksitz, aber definitiv nicht auf dem Fahrersitzt. Weil dann ist irgendetwas nicht gut. Du willst eigentlich nicht Entscheidungen treffen für den Founder, will es ist dann einfach fehlende Überzeugung hinter der Entscheidung. Und ich sage auch wenn es schief lauft, ist man automatisch dann auch Schuld. Das heisst die Entscheidung muss immer beim Gründerteam liegen. Operativ in dem Sinn ist bei einzelnen Themen. Aber es ist nicht so, dass wir irgendwie fix ein Tag bei einem Portfolio Company fix reinsitzen und dort Operations machen.

Interviewer:

Steckt man eher Energie in die on the winning Track oder eher in die, die ein wenig at Risk sind?

Interviewee:

Das ist so ein wenig classic im VC Bereich. Also eigentlich heisst es ja man soll sich eher auf die konzentrieren, wo gut laufen. Für uns ein wenig spezielle wir sind ja am Anfang nicht mit einem Fond Model unterwegs gewesen, sondern mit einem direct Investment Model. Das heisst man hat gewisse Einschränkungen nicht auf Level Fond. Es ist etwa gleich verteilt würde ich sagen. Ich bring es nicht hin, einfach zu sagen, nein interessiert mich nicht wenn es irgendwo schlecht läuft. Ich würde sagen es ist ziemlich ausgeglichen.

Interviewer:

Wie oft findet denn ein Austausch statt?

Interviewee:

Das ist sehr unterschiedlich. Je later-stage die Start-Ups desto weniger. Das ist jetzt bei mir persönlich so. Aber es sind bei mir auch relativ viel, wo nicht in der Schweiz sind beziehungsweise 2 in Israel und eines in den USA. Mit denen ist man eher so ad-hoc oder quartalsweise im Austausch. Mit Teilen hat man alle 2 Wochen ein Call oder wenn es auf eine Finanzierungsrunde zugeht, dann ist man fast täglich im Austausch für irgend ein Monat. Ja es ist ein wenig Schub weise.

Interviewer:

Geht ihr mit einem VR Sitz rein?

Interviewee:

Kommt drauf an. Mit dem Fond gehen wir, also man muss auch unterscheiden zwischen Schweiz und Deutschland, weil mit einem deutschen Fond kann man regulatorisch nicht in ein Schweizer Board. Grundsätzlich sind wir offen. Also unsere Hypothese ist ein wenig, du musst so Nahe an den Founders dran sein, dass es gar keinen Unterschied macht, ob man einen Board Seat hat oder nicht. Wir sagen nicht, hey wir brauchen einen Board Seat und wir brauchen das und das, sondern wir wollen eigentlich die Informationen und den Austausch mit den Gründern rein drauf beruhen, dass wir einen Input bringen und sie mit uns im Austausch sein wollen. Darum sind wir nicht so ein Fan von einem zwanghaften Board Seat.

Interviewer:

Also muess es auch mit dem Team auf der persönlichen Ebene ein Match sein, dass man ein Deal macht?

Interviewee:

Also wenn wir nur vom persönlichen Match reden, dann ist es sicher auch ein Punkt im Prozess. Also vom Sourcing vom ersten Kontakt, die Person, welche es gerade anschaut, hat ihre eigenen Präferenzen. Vielleicht sagt ein anderes Teammitglied ja finde ich spannend oder während den ersten Calls, wenn es nicht matched ist es definitiv ein Faktor, weil man weiss man muss noch sehr lange zusammenarbeiten und du weisst wenn man sich nicht versteht geht einfach sehr viel Energie verloren im Zwischenmenschlichen weil es einfach nicht funktioniert. Ja also das ist definitiv ein Punkt.

Interviewer:

Exit Phase, ihr macht relativ Early-stage, wie weit bewegt ihr Euch mit bei Follow-ons?

Interviewee:

Das ist auch wieder ein wenig ein Unterschied zwischen Direct Investment Model gewesen. Dort waren wir flexibler. Jetzt mit dem Fond können wir mitgehen, ist aber sehr selektiv. Also wir haben so gewise interne Kriterien, bei welchen mindestens 2 von 3 erfüllt sein müssen, dass wir es überhaupt anschauen können. Ja wir können mitgehen, ist aber sehr selektiv und dann nur bei sich sehr gut entwickelnden Topics, beziehungsweise wo dann auch ein externer reinkommt und das ganze legitimiert. Dann können wir nochmals mitgehen.

Interviewer:

Dann macht ihr die ganze Due Diligence in-house?

Interviewee:

Wir haben externe Leute, dass ist aber vorallem Themen wie, wenn man irgendwelches Industrie Know-How brauchst. Zum Beispiel wenn man wissen will, was der Status-Quo ist momentan. Oder wenn man jemand hören, welcher schon in einem ähnlichen Topic investiert gewesen ist und wo failed hat. Oder Technologie, um Technologien abzuschätzen. Wo man halt sehr spezifisches Know-How aus unserem Advisory Netzwerk reinholt.

Interviewer:

Was sind so die typischen Strategien für einen Exit? Um einen Exit zu forcieren?

Interviewee:

Ja wir sind eigentlich ein Fan von Value kreiieren und dann kommt der Exit automatisch. Es ist jetzt nicht so, dass wir auf einen Exit spezifisch hinarbeiten. Unsere These ist man muss Value kreiieren und dann ist dieser Value auch interessant für ein Exit Partner. Also klar gibt es gewisse Topics wo man wenig Exit Partner hat und man sehr gut überlegen muss, wie man sich weiterentwickeln muss, dass man an die oder eine dieser 3 Companies kann exiten beispielsweise. Das sind aber einzelfälle. So früh wie wir unterwegs sind, gibt es schon noch einige pivots along the way. Also darum ist auch unsere These grundsätzlich einfach mal Value kreiieren und ja das ist unsere Exit Strategie, wenn man so will. Und klar, kann man dann immernoch einen strukturieren Prozess machen und soweiter.

Interviewer:

An wer gebt ihr es typischerweise weiter?

Interviewee:

Das ist auch abhängig vom Case. Wir haben jetzt über die letzten paar Jahre ein kleines Netzwerk aufgebaut von M&A Leuten, wo wir kennen in einzelnen Industries. Und dann schauen wir mit denen ad-hoc Basis, hey was ist der Value wo sie reinbringen können und ob es ein guter Partner wäre und passt es für das Team. Ja dann entscheided man sich dort für einen einzelnen Player.

Interviewer:

Wird man auch kontaktiert von later-stage VCs oder Private Equity?

Interviewee:

Wir sind regelmässig mit VCs, welche nach uns investieren im Austausch. Weil die natürlich interessiert sind an qualifiziertem Deal Flow und ja mit paar hat man die Vereinbarung, dass alles was man schickt resultiert in einem Call. Das sind einige, mit welchen man im engen Austausch ist. Das ist auch einer der Gründe, weshalb ich gerade in Berlin bin. Die Connections zu vertiefen zu den Folgeinvestoren, weil es für uns natürlich zentral ist. Da wir relativ eine kleine reserve allocation haben, dass wir dort gut aufgestellt sind mit den folge VCs.

Interviewer:

Der Austausch mit folge VCs oder M&A Advisors, hat dies ein Einfluss auf die Auswahl?

Interviewee:

Indirekt. Du musst halt überlegen was momentan im Markt, was ist momentan gefragt und was nicht. Also wenn man weiss, stand heute sind CAPEX heavy topics schwer mit Hardware und hochem Burn pre-Revenue bis die nächsten vier Jahre, dann weisst du das es wahrscheinlich sehr schwer wird Folgerunden zu finden. Das heisst du selber wirst auch direkt davon betroffen sein und im Entscheidungsprozess das einfliessen lassen. Also ja man muss schon gewisse Marktbedingungen im Investment Entscheid einfliessen lassen.

Interviewer:

Ist Exit ein Thema bei der Due Dilligence?

Interviewee:

Ja genau, dass nehmen wir auch rein. Was sind mögliche Exit-Paths, wo kann es hingehen und vielleicht auch schauen, was in diesem Segment schon passiert ist und so weiter.

11.4.11.2. English Translation – BackBone Ventures AG

Interviewer:

The first phase, deal flow generation, how do you go about it?

Interviewee:

Well, there are 3 pillars in that sense, so the first one is passive deal flow. That's what comes in via LinkedIn, via email so just directly what comes in from startups. It's highest in quantity and lowest in quality. But it has also changed a bit with regard to the clear communication of the focus on under representative founders. This means that there are already qualitatively better things coming in than before. The second topic is other investors, i.e., other VCs, other business angels or our own investors. This is actually very good in terms of quality, because a pre-qualification process has already taken place there. You already have people who know what you are looking at and understand the topics. The third topic is direct outreach. So, this is via LinkedIn or so. For us, the thing is that we want to be the first investors and you can't just look, okay, where did the other VC invest, but then it's already too late for us. That means we have to be in very close contact with the business angels and we have to be in close contact with founders who then start up. These are a bit like the three streams.

Interviewer:

When it comes to Selection, do you have certain minimums here?

Interviewee:

No, not in principle. In the end, everything is settled with a valuation. The less there is, the higher the risk, the lower the valuation and the stricter the terms. Our minimum is that we want to see a complete founding team, so often CEO & CTO and that’s almost it. So often there is some MVP (minimum viable product) or certain state of a product.

But that is not a minimum requirement for us. We rely very heavily on the team because we are on the road so early.

Interviewer:

In which stage do you move in?

Interviewee:

Pre-seed, i.e., full focus on pre-seed. These are valuations between CHF 2 million and CHF 5 million pre-money valuation.

Interviewer:

Is there or has there already been a shift?

Interviewee:

We have already moved forward. So, we were in the seed area earlier, partly series A. But even there we were already early A and are now fully focused on pre-seed.

Interviewer:

If an investment is made afterwards, how do you try to do the company building?

Interviewee:

Of course, this is very much dependent on the respective portfolio companies and their skills, or what is available and what is still missing. So of course, you try to pick up on that before the investment, where are the strengths and where are the weaknesses and then when you are invested, where can you support them the most. Where do you have the most leverage to support the team. So that's very general, that can be anything. It can be anything from structuring an ESOP (employee stock ownership plan) to B2B sales training and where we are particularly strong is in the area of follow-on rounds. So, if it's really about bringing the next round together in topics like pitch deck, what's the story and also intros to the follow up VCs especially in Switzerland and Germany. But we also have UK and USA where we know the one or the other, but for that it has to be a very good fit.

Interviewer:

How much do you still operationally look in there?

Interviewee:

We see us in the passenger seat or back seat, but definitely not in the driver's seat. Because then something is not good. You don't actually want to make decisions for the founder, it's just lack conviction behind the decision. And I also say that if things go wrong, you are automatically to blame. That means the decision must always lie with the founding team. Operative in the sense is with individual topics. But it's not the case that we somehow sit in for a fixed day at a portfolio company and do operations there.

Interviewer:

Do you put more energy into those on the winning track or more into those who are a little at risk?

Interviewee:

That's a bit classic in the VC area. Actually, they say you should concentrate on the ones that are doing well. For us it was a little bit special we were not with a fund model at the beginning, but with a direct investment model. That means you don't have certain restrictions on the fund level. It's about equally distributed I would say. I can't bring myself to just say, no, I don't care if things go badly somewhere. I would say it's pretty even.

Interviewer:

How often does an exchange take place?

Interviewee:

That varies greatly. The later stage the start-ups, the less. That's the case for me personally. But I also have a relatively large number that are not in Switzerland, or 2 in Israel and one in the USA. With them, you have more of an ad-hoc or quarterly exchange. With some of them you have a call every 2 weeks or when it comes to a financing round, then you are in the exchange almost daily for a month or so. Yes, it's a little bit of thrust wise.

Interviewer:

Are you going in with a seat on the board?

Interviewee:

It depends. With the fund, we go, so you also have to distinguish between Switzerland

and Germany, because with a German fund, you can't get on a Swiss board from a regulatory point of view. Basically, we are open. So, our hypothesis is a little bit, you have to be so close to the founders that it doesn't make any difference if you have a board seat or not. We don't say, hey we need a board seat, and we need this and this, but we actually want to base the information and the exchange with the founders purely on the fact that we bring an input and they want to be in exchange with us. That's why we're not such fans of an obsessive board seat.

Interviewer:

So it must be a match also with the team on the personal level that you make a deal?

Interviewee:

So if we're just talking about the personal match, it's certainly a point in the process. So, from sourcing from the first contact, the person who is looking at it has their own preferences. Maybe another team member will say yes, I find it exciting. With the team of the start-up, it also has to match on a personal level, because you work together for a very long time and a lot of energy can be lost in the interpersonal area. Yes, so that is definitely a point.

Interviewer:

Exit Phase, you do relative early stage, how far do you move with at Follow-ons?

Interviewee:

That has also been a bit of a difference between the direct investment model. There we were more flexible. Now with the fund we can go along, but it is very selective. So, we have certain internal criteria, where at least 2 out of 3 must be met, so that we can look at it at all. Yes, we can go along, but it is very selective and then only for very well developing topics, or where an external person comes in and legitimizes the whole thing. Then we can go along again.

Interviewer:

Then you do all the due diligence in-house?

Interviewee:

We have external people, but that's mainly topics like when you need some industry know-how. For example, if you want to know what the status quo is at the moment. Or if you want to listen to someone who has already been invested in a similar topic and where failed. Or technology, to estimate technologies. Where you can get very specific know-how from our advisory network.

Interviewer:

What are the typical strategies for an exit? To force an exit?

Interviewee:

Yes, we are actually a fan of creating value and then the exit comes automatically. It is not the case that we are specifically working towards an exit. Our thesis is that you have to create value and then this value is also interesting for an exit partner. So of course, there are certain topics where you have few exit partners and you have to consider very well how you have to develop further so that you can exit to one of these 3 companies, for example. But these are individual cases. As early as we are on the way, there are still some pivots along the way. So that's why our thesis is basically just to create value and yes, that's our exit strategy, if you will. And of course, you can still do a structured process and so on.

Interviewer:

Who do you typically pass it on to?

Interviewee:

That also depends on the case. Over the last few years, we have built up a small network of M&A people who we know in individual industries. And then we look with them ad-hoc basis, hey what is the value where they can bring in and whether it would be a good partner and does it fit for the team. Yes, then we decide there for a single player.

Interviewer:

Are you also contacted by later-stage VCs or private equity?

Interviewee:

We are in regular contact with VCs that invest after us. Because they are naturally interested in qualified deal flow. And yes, with some we have the agreement that everything we send results in a call. These are some with whom we are in close exchange. That is also one of the reasons why I am in Berlin right now. To deepen the connections to the follow-on investors because it is of course central for us. Since we have a relatively small reserve allocation, we are well positioned there with the follow-on VCs.

Interviewer:

The exchange with follow VCs or M&A advisors, does this have an influence on the selection?

Interviewee:

Indirectly. You just have to consider what is currently in the market, what is currently in demand and what is not. So, if you know that today CAPEX heavy topics are hard with hardware and high burn pre-revenue until the next four years, then you know that it will probably be very difficult to find follow-up rounds. This means that you yourself will be directly affected by this and will have to take this into account in the decision-making process. So yes, you have to take certain market conditions into account in the investment decision.

Interviewer:

Is exit an issue in due diligence?

Interviewee:

Yes, that's exactly what we're including. What are the possible exit paths, where can it go and perhaps also look at what has already happened in this segment and so on.

11.4.12. Emerald Technology Ventures AG

Founded in 2006, Emerald Technology Ventures AG has over 15 years of experience in the venture capital industry with the clear focus on sustainable industrial technologies. Additionally, Emerald Technology Ventures won the mandate from the Swiss government to manage its Technology Fund, which is a CHF 350 Mio. debt guarantee program for cleantech SMEs and start-ups. The investment focus of Emerald Technology Ventures AG is in early- and expansion-stage businesses in Europe, Asia and North America. Some industries they are particularly interested in are water and wastewater, food and agriculture, materials and packaging, energy and industrial IT. The current portfolio consists of 28 start-ups. Along the way, Emerald Technology Ventures AG has already exited more than 18 companies. Interview partner is Hans Dellenbach, who holds the position of Senior Partner and CFO of Emerald Technology

Ventures AG and has been with Emerald since the beginning. Next to managing the corporate functions, he also manages deal teams within the investment part of the business.

11.4.12.1. Interview Transcript – Emerald Technology Ventures AG

Interviewer:

Ich untersuche vorallem die Unterschied zu Amerika in den verschiedenen Phasen.

Interviewee:

Also ein allgemeiner Kommentar zu Amerika vs. Europa, ich weiss die Zahlen nicht auswendig aber der Amerikanische Markt ist irgendwie 7x so gross und 20 Jahre älter als Markt, als VC Markt und 37x professioneller. Also das ist einfach bitz schwarz weiss ausgedrückt. Natürlich gibt es Ausnahmen dort und Ausnahmen hier aber einfach insgesammt als Venture Capital Markt ist Kalifornien der Gold-Standard und Israel eifert dem nach, aber Europa ist nicht dort. Wir sind hintenher. Das muss nicht unbedingt schlecht sein, aber das ist einfach mal der Unterschied. Also in Kalifornien ist es so professionalisiert, dass alles VCs sehr ähnlich arbeiten. Es gibt wie standard Term Sheets, standard Abläufe und es wird alles sehr rasch gemacht. Das sind wahrscheinlich so die Hauptunterscheidungen. Ich bin sicher es gibt sehr viel Service Provider, wie z.B. Datenlieferanten oder Softwarelieferanten oder andere Zuliefere, welche die Venture Captil Industrie unterstützten. Also zum Beispiel PitchBook und wie sie alle heissen. In Kalifornien gibt es Firmen, die machen nichts anderes als Deal-Flow zu generiern und so weiter. Also einfach viel viel professionalisierter. Und als VC in Kalifornien kann man zu 2 oder 3, wenn man ein wenig Erfahrung hat, den eigenen VC Gründen und man geht Geld einsammeln. Da ist es klar wie ein Pitch aussieht, 10 Folien und es ist klar das muss drin stehen, es ist einfach alles viel klarer und professioneller. Wenn es zum Investment kommt sind sie sehr viel schneller, das ist nicht unbedingt ein Vorteil, aber sie sind sehr viel schneller. Das ist angenehm für Start-Up Firmen, wenn sie 20 VCs anschreiben haben sie innerhalb von 3 Wochen die ersten Term Sheets. Dann können sie vergleichen und vielleicht die Bewertung ist nicht überall gleich, und so unterscheiden sich die VCs dann voneinander aber die Term Sheets sind immer irgendwo 3 Seiten lang, hat immer die gleichen Klauseln drin und es sieht immer etwa ähnlich aus. Es ist einfach standardisiert. Also wenn man sich als VC unterscheiden will von anderen VCs, dann vielleicht über Erfahrung, aber ich sage mal unterscheiden tun sich die in der Geschwindikeit und Entrepreneur friendly heisst es immer, helfen den Unternehmen und haben ein wahnsinnig gutes Netzwerk. Wenn man das Term Sheet nicht innerhalb von 3 Wochen au dem Tisch hat, dann ist man hinterher. Es ist ein grosser Wettbewerb unter den VCs und für die Start-Ups ist das sehr attraktiv und können sich den VC auslesen. In Europa sind wir hinterher und es ist vieles nicht standardisiert. Also erstes Mal haben wir 27 EU Länder und dann haben wir noch England, Norwegen, Schweiz und Israel und jedes Land ist ein wenig anders, es gelten andere Gesetzt und dort fängt es schonmal an. Ja auch die Sprachen und Kulturen sind anderst, es ist nicht 1 Markt es sind 30 Märkte. Dann ist es weiter auseinander und es gibt viel mehr verschiedene VCs, es gibt solche wie wir, wo in ganze Europa investieren aber nur in gewissen Sektoren, andere machen nur in DACH, dafür in allen Sektoren. Es macht halt jeder ein wenig was anderes und es ist farbiger im positiven Sinn und es ist weniger standardisiert in Europa. Als Limited Partner, als Investore, welcher in einen VC Fond investieren will, ist es schwieriger, weil man sehr viel mehr Fonds miteinender vergleichen muss. Die einten haben ein wenig mehr Erfahrung, der andere ein besserer Deal Flow, also es ist sicher schwerer weil es diverser sit. Generell sind die Abläufe langsamer hier, um ein Deal abzuschliessen, also in 3 Wochen hat niemand ein Term-Sheet auf dem Tisch. Es dauert länger, bei uns wir sind besonders schwerfällig, wir sind sogar noch stolz darauf. Bei uns geht es 3-4 Monate bis man ein Termsheet auf dem Tisch hat. Aber wenn wir ein Term Sheet auf den Tisch legen, dann kennen wir die Firma und wir wissen, von was wir sprechen und es ist nicht einfach schnell aus dem Ärmel gezogen, um den Deal zu blockieren, sondern wir wissen das es eine gute Firma ist und das wir investieren wollen, wir wissen warum wir investieren wollen und wie wir der Firma helfen können. Ich mache so ein Spruch im lustigen, wenn ich mit einem Start-Up rede, we are not entrepreneur friendly. Das muss man wissen, wenn man zu uns kommt. Wir brauchen länger, wir stellen 100'000 Fragen, wir kommen das Start-Up besuchen, wir wollen alles wissen bis auf die Unterhose. Aber dafür, wenn wir uns entschlossen haben, dass wir investieren wollen, dann kann man auf uns zählen. Wir laufen nicht davon, wir haben gute Partner und da kann ich auch Referenzen angeben, dass man mit unseren anderen Portfolio Unternehmen spricht, wo wir schon Geld investiert haben und so weiter. Also professionel im Sinn von einem tiefen Verständis für die Materie und vom Mark und vom Business.

Interviewer:

Wie versucht ihr den Deal Flow zu generieren?

Interviewee:

Das ist auch interessant, das ist eine Frage, welche unsere Investoren stellen bevor sie investieren. Unsere Antwort darauf ist, dass es überhaupt kein Problem ist. Also es ist das kleinste Problem von allen die wir haben, ist Deal Flow generieren. Erstens sind wir natürlich schon seid 20 Jahren unterwegs und haben unser Netzwerk. Wir haben 50 Mitarbeiter auf der ganzen Welt und jeder von denen geht an irgendwelche Konferenzen und hat sein eigenes Netzwerk, das persönliche Netzwerk. Und wir bekommen irgendwo 2'000 Deals jedes Jahr auf verschiedene Art und Weisen kommt das Zeug. Es ist eigentlich fast zu viel. Unser Problem ist, wir wollen sicher nicht mehr und wir wollen eher den besseren Deal Flow. Also wie findet man die richtigen Deals und so. Das findet man indem man gute Beziehungen unterhaltet mit andernen Fonds, mit Partner, mit dem Netzwerk wo man sagt, ja wenn ein anderer Fond schon investiert hat, ist es nicht ein totaler Seich. Dann ist mindestens schonmal die erste Stufe, also gewisse Qualitätsmerkmale sind vorhanden. Aber wir bekommen hunderte von Deals jedes Jahr von den Start-Ups zugeschickt einfach selber oder über andere Kanäle von Konferenzen oder Datenbanken. Das ist wirklich das kleinste Problem, der Deal Flow. Guter Deal Flow ist dort auch dabei, aber das ist so ein wenig die Nadel im Heuhaufen, die man dort suchen muss. Wenn man sagt man möchte die Qualität von unserem Deal Flow insgesammt steigern, dann geht man über Beziehungen. Man pflegt Beziehungen mit anderen Fonds und sagt, was hast du im Portfolio und kann ich das mal anschauen, welche Firma sucht Geld und umgekehrt zeigen wir unsere Deals den anderen. Also das ist sicher, dort wird die Qualität besser.

Interviewer:

Wie würdet ihr euch einordnen vom Stage her, sind ihr eher Stage-Spezialisen oder Multi-Stage?

Interviewee:

Nein wir sind, kommt immer ein wenig darauf an, aus welcher Perspektive man schaut. Also ich würde mal sagen, wir sind early-commercialisation, also early-stage, typischer Weise Series A, B und C. Nicht Seed, wir investieren nicht gerne in Firmen, welche noch kein Umsatz haben. Also wir warten bis sie die ersten Kunden haben und das Produkt habe, also der Market-Fit erwiesen ist. Dann kann es für uns interessant werden. Wir sind auch von unserer Grösse her, das kleinste Ticket das wir machen würden ist irgendwo 2-3 Millionen und wenn es weniger ist als das, dann schauen wir es uns auch nicht an. Dann ist es einfach zu klein oder zu früh. Aber dann gegen oben, können wir auch grössere Finanzierungsrunden syndizieren bis zu 20 Millionen oder so. Wir selber investieren im Durschnitt 5-10 Millionen über mehrere Finanzierungsrunden. Das gibt ein Hinweis darauf, wo wir investieren. Also Revenue generating ist so ein Kernpunkt.

Interviewer:

Hat sich der Stag verschoben in den letzten 15-20 Jahren?

Interviewee:

Ja, also wir sind auf Industrietechnologien fokusiert. Wir haben das am Anfang Sustainable Technologies genannt. Dann später hat man den Begriff Clean Tech erfunden. Dann haben wir uns Clean Tech genannt und dann nach der Finanzkriese 2008-2010 ist das Wort Clean Tech total verdorben gewesen und niemand wollte mehr investieren. Dann haben wir uns Industrial Technologie genannt und heute brauchen wir das Wort Climate Tech. Man hat den Begriff geändert aber die Sektoren haben nie geändert. Wir haben immer die gleichen Industrie Sektoren angeschaut. Aber wenn ich 20 Jahre zurückschaue, dann ist es schon so. Wir haben heute 2'000 Deals sehen wir jedes Jahr, also Business Pläne, die wir erhalten. Das geht quer über alle Sektoren, Stages, Länder etc. etc. Vor 20 Jahren musste man die Deals zusammenkratzen, dass man auf 200 Deals kommt. Da musste man aktiv suchen und networking betreiben und es war schwerer Deals zu finden und die, welche man dann erhalten hat, waren noch schlecht zu allem hin. Early-stage, unerfahrene Teams, komplizierte Terms etc, also die ganze Branche hat sich schon sehr professionalisiert in dieser Zeit. Und auch in Europa hat man sicher viel grössere Auswahl, viel bessere Unternehmer, wo man darauf bauen kann. Vor 20 Jahren war da noch nichts vorhanden. Vom Stage her, ist es auch so, dass es dadurch den Stage ein wenig verändert hat. Wir haben gezwungener Massen in sehr viele Firmen investieren müssen, wo Ideen gewesen sind oder Patente. Also irgendjemand hat ein Patent und möchte dies nun kommerzialisieren. Das ist dann das Investment gewesen, welches wir gemacht haben. Das ist meistens nicht gut gekommen. Also die pre-Revenue Deals, wo man Hoffnung hat auf irgendetwas, was sich nachher nicht materialisiert. Und seit ca. 10 Jahre investieren wir nur noch in Firmen mit Umsatz. Also die haben ein Produkt, welches funktioniert und haben Kunden, welche es kaufen. Es sind vielleicht noch nicht viele Kunden, das ist okay, aber mindestens gibt es ein paar Kunden, welches kaufen. Das ist was sich verändert hat.

Interviewer:

Eine Stage, weiter, wenn das Investment gemacht wurde, wir probiert man das Company Building zu betreiben?

Interviewee:

Da erzählt dir wahrscheinlich jeder das gleiche. Für das Thema sage ich eben immer, spreche mit unseren alten Firmen, die Unternehmer sollen es übermitteln. Und 95% von diesen Unternehmern werden sagen, doch Emerald war extrem wertvoll und sie werden zu 90-95% sagen, Emerald war der wichtigste Investor, welcher am meisten geholfen hat. Wir sind ein grosses Team und haben viel Ressourcen. Bei uns hat niemand im Team 15 Board Seats, was ich zum Teil sehe bei andernen VCs, wo 1 Person 10 Board Seats hat, das gibt es bei uns nicht. Wir haben maximal 3 oder 4. Das man wirklich Zeit hat und sich auf diese Firmen konzentrieren kann. Wir haben zwei grosse Vorteile, welche die anderen nicht haben. Erstens, wir haben ein riesiges in-house Technologie Team es sind 17-18 Personen. Vielen von denen haben Doktoriert mit 5-10 Jahre Berufserfahrung, also wirklich tiefe akademische Studien und dann noch 5-10 Jahre berufliche Erfahrung bevor sie zu uns kommen. Von denen haben wir 18 Leute. Die können sich mit den Unternehmen wirklich über das Molekül unterhalten oder über das Amper oder was auch immer und ganz genau verstehen, was die machen. Also wir eines der besten Technologieteam im Industriesektor der Welt. Sie sind auch weltweit verteilt. Und das hat uns dann auch geholfen, dass ist der zweite Vorteil, es sehr starkes In-House Technologie Kompetenz, wo man auf Augenhöhe mit den Start-Ups sprechen kann. Auf der anderen Seite hat uns dies geholfen Investoren anzuziehen mit der Zeit, welche selber aus der Industrie kommen. Also unsere Kunden heute ist eine ABB, Nestle, Henkel, Caterpillar und auch gegen die 50 grosse Industrieunternehmen weltweit, Koreaner, Japaner wo zu uns kommen und investieren. Also wir haben das Geld nicht von Pensionskassen oder Banken, sondern von Industriefirmen. Dies weil wir denen helfen, also das ist das gleiche Technologieteam, welches wir haben, die reden mit den Start-Ups und den Industriekunden und helfen denen zu verstehen, was abgeht in ihren Sektoren, welche für sie relevant sind und sie können Connections herstellen. Okay, du suchst ein Robotics Sensor, rede doch mal mit der Firma X in Kalifornien oder mit der Firma Y in Israel. Also wir schafen sehr eng, also im täglichen Austausch mit den Industriepartnern und selbstverständlich, wenn wir mit den Start-Ups reden, können wir auch die Industriepartner mit einbeziehen. Wenn können sie mit der richtigen Person zusammenbringen, wo sich genau um diese Themen kümmern bei den Industriepartnern. Die hören dann auch zu, weil ein gegenseitiges Interesse besteht. Es ist also ein sehr ein hohes Alignment, wo hilft Start-Ups mit grossen Industriefirmen zusammen zu brinen auf jeder Ebene. Auch für die Zusammenarbeit als Kundenbeziehung, vielleicht kauft einfach einer das Produkt und jemand anders für eine Partnerschaft oder Lizent oder Direct Investments, oder sie wollen sie sogar akquirieren und sagen das ist eine super Firma. Also all das bringen wir, viele reden davon und ich glaube bei uns ist es wirklich das tägliche Brot.

Interviewer:

Gibt es da manchmal ein Conflict of Interest?

Interviewee:

Das ist eine berechtigte Frage, aber das managen wir sehr gut. Es gibt keine speziall Recht für unsere Kunden. Alle haben die gleichen Rechte, nähmlich Know-How aber alle erfahren das gleiche. Was sie dann mit dem Know-How machen ist ihnen überlassen. Wir sind eigentlich mehr wie ein Wissensübermittler eine Art Consultant und wir helfen denen die richtigen Firmen zu identifizieren. Aber ob ABB die Firma nachher kauft oder eine andere Firma, wie soll ich sagen der Konkurrent von ABB ist auch einer von unseren Kunden und wenn sich beide für die gleiche Firma interessieren, dann geben wir beiden das gleiche Wissen und sie müssen selber schauen wer den Kampf gewinnt.

Interviewer:

Wie oft steht man im Austausch mit den Start-Ups?

Interviewee:

Es kommt darauf an wie es läuft. Idealerweise hat man gar kein Kontakt. No News is good News. Dann läuft es. Wenn es läuft, dann kommen sie eigentlich nicht zu uns und dann brauchen sie uns in dem Sinn auch nicht. Aber meistens läuft es nicht immer Rund, also es läuft eigentlich gar nie Rund um ehrlich zu sein, aber es gibt einfach Start-Ups die haben ständig irgend ein Problem, haben vielleicht ein Kunde verloren oder ein Management Team Member ist ausgestiegen oder der Verwaltungsrat ist zerstritten oder die Technologie funktioniert nicht. Also 1'000 Probleme und dort kommt man ins Spiel und schauen ist es eher ein finanzielles Problem, brauchen sie mehr Geld oder brauchen sie Zugang zu Bankdarlehen, dann ist es eher ein Finanzspezialist oder technische Probleme oder mit einem Kunden, dann haben wir andere Leute, welche denen helfen oder ist es eine strategische Frage, dann ist es etwas für den Partner. Also je nach dem sind andere Leute involviert. Also ich habe jetzt eine Firma, die sehr Probleme macht und da bin ich sicher im täglichen Austausch. Dann habe ich eine andere Firma, da höre ich einmal im Monat etwas oder nicht mal.

Interviewer:

Im Exit Bereich, was sind so die typischen Szenarien bei euch?

Interviewee:

Ja das ist praktisch immer Trade Sale. Früher waren es noch IPOs und vor paar Jahren ist mal das SPAC Fieber ausgebrochen, dass haben wir auch versucht, hat dann aber nicth geklappt bei uns. Schlussendlich investieren wir in Industrietechnologien und die werden in einem Industrial Trade Sale verkauft. Das ist eigentlich immer das Gleiche. Da geht man über eine Investment Bank und sucht einen Berater, macht den standard Prozess und wenn alles gut kommt, kann man sie verkaufen und wenn es nicht gut kommt, macht man den Prozess und hat am Schluss kein Käufer. Dann muss man halt nochmals weiterfahren und nochmals eine Runde machen oder sich anderst aufstellen.

Interviewer:

Wie stark beeinflusst der Austausch mit den M&A Advisor und Käufer die Auswahl von den Investments?

Interviewee:

Nein, wir investieren dort wo wir ein gutes Risk/Return Verhältnis sehen und um diese Frage zu beantworten braucht man 6 Monate, das ist sehr kompliziert. Technologie, Markt, Team, Kunden es muss alles stimmen oder in einem guten Verhältnis sein. Und natürlich schon bevor wir investieren überlegt man sich, wer kauft denn eine solche Firma, gibt es überhaupt Käufer, dass ist ein Teil der Analyse am Anfang. Was würde so ein Käufer möglicherweise dafür bezahlen, wenn die Firma in 5 Jahren, das 5x fache an Umsatz macht. Aber um denn Käufer zu finden, hat man dann 5 oder 5-7 Jahre Zeit wenn man investiert ist. Das ist dann ein wenig die Aufgabe der Firma, früh Kontakt zu finden zu potenziellen Käufer. Wir sind sicher da, um auch Kontakte herzustellen zu den Advisors, zu denen haben wir Kontakt. Von denen gibt es nicht 100, sondern 2 duzent und die kennt man irgendwann und versucht die Beziehung aufrecht zu halten.

11.4.12.2. English Translation – Emerald Technology Ventures AG

Interviewer:

I am mainly examining the difference with America in the different phases.

Interviewee:

So a general comment on America vs. Europe, I don't know the numbers by heart, but the American market is somehow 7x as big and 20 years older than market, than VC market and 37x more professional. So that's just putting it in black and white. Of course, there are exceptions there and exceptions here but just overall as a venture capital market California is the gold standard and Israel is emulating that, but Europe is not there. We are behind. That's not necessarily bad, but that's just the difference. So, in California it's so professionalized that everything VCs do is very similar. There are like standard term sheets, standard processes and it's all done very quickly. So those are probably like the main distinctions. I'm sure there are a lot of service providers, like data providers or software providers or other suppliers that support the venture capital industry. So, for example, PitchBook and what they're all called. In California, there are companies that do nothing but generate deal flow and so on. So just much much more professionalized. And as a VC in California, you can go to 2 or 3, if you have a little bit of experience, start your own VC and you go raise money. There it's clear what a pitch looks like, 10 slides and it's clear that has to be in there, it's just all much clearer and more professional. When it comes to investment, they are much faster, that's not necessarily an advantage, but they are much faster. That's nice for start-up companies, if they write to 20 VCs, they have the first term sheets within 3 weeks. Then they can compare and maybe the valuation is not the same everywhere, and so the VCs then differ from each other, but the term sheets are always somewhere 3 pages long, always has the same clauses in it and it always looks about similar. It's just standardized. So, if you want to differentiate yourself as a VC from other VCs, then maybe through experience, but I say they differ in speed and entrepreneur friendly, they always help the companies and have an insanely good network. If you don't have the term sheet on the table within 3 weeks, then you are behind. There is a lot of competition among the VCs and for the start-ups it is very attractive, and they can pick the VC. In Europe we are behind, and a lot of things are not standardized. So first, we have 27 EU countries and then we have England, Norway, Switzerland and Israel and each country is a little bit different, there are different laws and that's where it starts. Yes, also the languages and cultures are different, it's not 1 market it's 30 markets. Then it is further apart and there are many more different VCs, there are those like us who invest in the whole of Europe but only in certain sectors, others do only in DACH but in all sectors. Everybody is doing something a little bit different and it's more colorful in a positive sense and it's less standardized in Europe. As a limited partner, as an investor who wants to invest in a VC fund, it is more difficult because you have to compare many more funds. Some have a little bit more experience, others have a better deal flow, so it's certainly harder because it's more diverse. Generally, the process is slower here to close a deal, so in 3 weeks nobody has a term sheet on the table. It takes longer, with us we are particularly slow, we are even proud of it. With us it goes 3-4 months to get a term sheet on the table. But when we put a term sheet on the table, we know the company and we know what we're talking about and it's not just pulled out of the sleeve quickly to block the deal, but we know it's a good company and that we want to invest, we know why we want to invest and how we can help the company. I do a saying like that in funny when I talk to a startup, we are not entrepreneur friendly. You must know that when you come to us. We take longer, we ask 100's of thousands of questions, we come to visit the start-up, we want to know everything down to our underpants. But for that, when we have decided that we want to invest, then you can count on us. We don't run away, we have good partners and there I can also give references that they talk to our other portfolio companies, where we have already invested money and so on. So professional in the sense of a deep understanding of the matter and of the market and of the business.

Interviewer:

How are you trying to generate deal flow?

Interviewee:

That's also interesting, that's a question our investors ask before they invest. Our answer to that is that it's not a problem at all. So, it's the smallest problem of all that we have is deal flow generation. First of all, of course we have been around for 20 years, and we have our network. We have 50 people around the world and each one of them goes to some conferences and has their own network, personal network. And we get somewhere 2,000 deals every year in different ways the stuff comes. It's actually almost too much. Our problem is, we certainly don't want more, and we want more of the better deal flow. So how do you find the right deals and stuff. You find that by maintaining good relationships with other funds, with partners, with the network, where you say, yes, if another fund has already invested, it's not a total pile of shit. Then at least the first stage is already there, so certain quality characteristics are there. But we get hundreds of deals every year sent to us by the startups simply themselves or through other channels from conferences or databases. That's really the smallest problem, the deal flow. Good deal flow is there as well, but that's kind of the needle in the haystack that you have to look for there. When you say you want to increase the overall quality of our deal flow, you go through relationships. You cultivate relationships with other funds and say, what do you have in your portfolio, and can I take a look at that, what company is looking for money and vice versa we show our deals to the others. So that's for sure, that's where the quality gets better.

Interviewer:

How would you classify yourselves in terms of stage, are you rather stage specialists or multi-stage?

Interviewee:

No we are, it always depends a little bit on which perspective you look at it from. So, I would say we're early-commercialization, early-stage, typically Series A, B and C. Not seed, we don't like to invest in companies that don't have revenue yet. So, we wait until they have the first customers and have the product, so the market fit is proven. Then it can become interesting for us. Also of our size, the smallest ticket we would do is somewhere 2-3 million and if it is less than that, then we don't look at it. Then it's just too small or too early. But then towards the top, we can syndicate larger rounds of funding up to 20 million or so. We ourselves invest on average 5-10 million over several financing rounds. That gives an indication of where we invest. So, revenue generation is a key point.

Interviewer:

Has the stag shifted in the last 15-20 years?

Interviewee:

Yes, so we are focused on industrial technologies. In the beginning, we called it Sustainable Technologies. Then later the term Clean Tech was invented. Then we called ourselves Clean Tech and then after the financial crisis of 2008-2010 the word Clean Tech was totally spoiled, and nobody wanted to invest anymore. Then we called ourselves Industrial Technology and today we need the word Climate Tech. They changed the term, but the sectors never changed. We always looked at the same industrial sectors. But if I look back 20 years. We have 2,000 deals today we see every year, so business plans that we get. That goes across all sectors, stages, countries, etc. etc. 20 years ago, you had to scrape together the deals to get to 200 deals. You had to actively search, and network and it was harder to find deals and the ones you got were still bad to everything. Early-stage, inexperienced teams, complicated terms, etc., so the whole industry became very professionalized during that time. And also, in Europe you have certainly much bigger choice, much better entrepreneurs, where you can build on it. 20 years ago, there was nothing there. From the stage, it is also so that it has changed the stage a little. We have been forced to invest in a lot of companies where there have been ideas or patents. So, someone has a patent and now wants to commercialize it. That was the investment we made. Most of the time it didn't turn out well. So, the pre-revenue deals, where you have hope for something that doesn't materialize afterwards. And for the last 10 years or so, we've only been investing in companies with revenue. So, they have a product that works, and they have customers that buy it. There may not be many customers yet, that's okay, but at least there are a few customers who buy. That is what has changed.

Interviewer:

One stage further, when the investment has been made, how do you try to do the company building?

Interviewee:

Probably everyone tells you the same thing. For this topic, I always say, talk to our old companies, let the entrepreneurs communicate it. And 95% of those entrepreneurs will say, but Emerald was extremely valuable, and they will say 90-95%, Emerald was the most important investor, which helped the most. We are a big team, and we have a lot of resources. No one on our team has 15 board seats, which is something I see in some other VCs where 1 person has 10 board seats, we don't have that. We have a maximum of 3 or 4. That you really have time and can focus on these companies. We have two big advantages that the others don't have. First, we have a huge in-house technology team of 17-18 people. Many of them have PhDs with 5-10 years of professional experience, so really deep academic studies and then another 5-10 years of professional experience before they come to us. Of those, we have 18 people. They can really talk to the companies about the molecule or about the amp or whatever and understand exactly what they're doing. So, we one of the best technology team in the industrial sector in the world. They're also spread around the world. And then that has also helped us that is the second advantage, it very strong in-house technology expertise where you can talk at eye level with the start-ups. On the other hand, this has helped us attract investors over time, who themselves come from the industry. So, our customers today are an ABB, Nestle, Henkel, Caterpillar and about 50 large industrial companies worldwide, Koreans, Japanese who come to us and invest. So, we have the money not from pension funds or banks, but from industrial companies. This is because we help them, so this is the same technology team that we have, we talk to the start-ups and the industrial companies and help them understand what is going on in their sectors, which are relevant to them and they can make connections. Okay, you're looking for a robotics sensor, why don't you talk to company X in California or company Y in Israel. So, we create very closely, so in daily exchange with the industry partners and of course, when we talk to the startups, we can also involve the industry partners. If can bring them together with the right person, where exactly take care of these issues with the industry partners. They then also listen because there is a mutual interest. So, it's a very high alignment where helps startups to bring together with big industrial companies on every level. Also, for collaboration as a customer relationship, maybe just one buys the product and someone else for a partnership or license or direct investments, or they even want to acquire them and say this is a super company. So all that we bring, many talk about it and I think with us it's really the daily bread.

Interviewer:

Is there sometimes a conflict of interest there?

Interviewee:

That's a fair question, but we manage that very well. There is no special right for our customers. All have the same rights, namely know-how, but all experience the same. What they do with the know-how is up to them. We are actually more like a knowledge transmitter, a kind of consultant. We help them to identify the right companies. But whether ABB buys the company or another company, how shall I say the competitor of ABB is also one of our customers and if both are interested in the same company, then we give them both the same knowledge and they have to see who wins the fight.

Interviewer:

How often are you in exchange with the start-ups?

Interviewee:

It depends on how it goes. Ideally, you have no contact at all. No news is good news. Then it works. When things are going well, they don't really come to us and then they don't need us in that sense. But most of the time it doesn't always go smoothly, well to be honest it never goes smoothly, but there are start-ups that constantly have some kind of problem, maybe they have lost a customer, or a management team member has left, or the board of directors has fallen out or the technology doesn't work. So, 1,000 problems and there you come into play and look is it more of a financial problem, do they need more money, or do they need access to bank loans, then it's more of a financial specialist or technical problems or with a customer, then we have other people helping them or is it a strategic issue, then it's something for the partner. So, depending on that, different people are involved. So, I have a company now that is very problematic and I'm certainly in daily exchange there. Then I have another company, there I hear something once a month or not even.

Interviewer:

In the exit area, what are some typical scenarios with you guys?

Interviewee:

Yes, that is practically always a trade sale. In the past it was IPOs and a few years ago the SPAC fever broke out, we also tried that, but it didn't work out for us. Finally, we invest in industrial technologies, and they are sold in an industrial trade sale. That is always the same. You go through an investment bank and look for a consultant, do the standard process and if everything goes well, you can sell them and if it doesn't go well, you do the process and, in the end, you don't have a buyer. Then you just have to go on again and do another round or set up differently.

Interviewer:

How much does the exchange with M&A advisors and buyers influence the selection of investments?

Interviewee:

No, we invest where we see a good risk/return ratio and to answer this question you need 6 months, that is very complicated. Technology, market, team, customers, everything has to be right or in a good ratio. And of course, before we invest, we think about who would buy such a company, are there any buyers at all, that is part of the analysis at the beginning. What would such a buyer possibly pay for it, if the company in 5 years, the 5x times in turnover makes. In order to find a buyer, you then have 5 or 5-7 years' time if you are invested. That is then a little bit the task of the company, to find early contact to potential buyers. We are certainly there to establish contact with the advisors, we have contact with them. There are not 100 of them, but 2 dozen, and at some point, you get to know them and try to maintain the relationship.