



How to attract VC and other  
financing to Life Science  
– the way forward

**Annual General Meeting of Sweden BIO June 1, 2006**

Claes de Neergaard, CEO Industrifonden

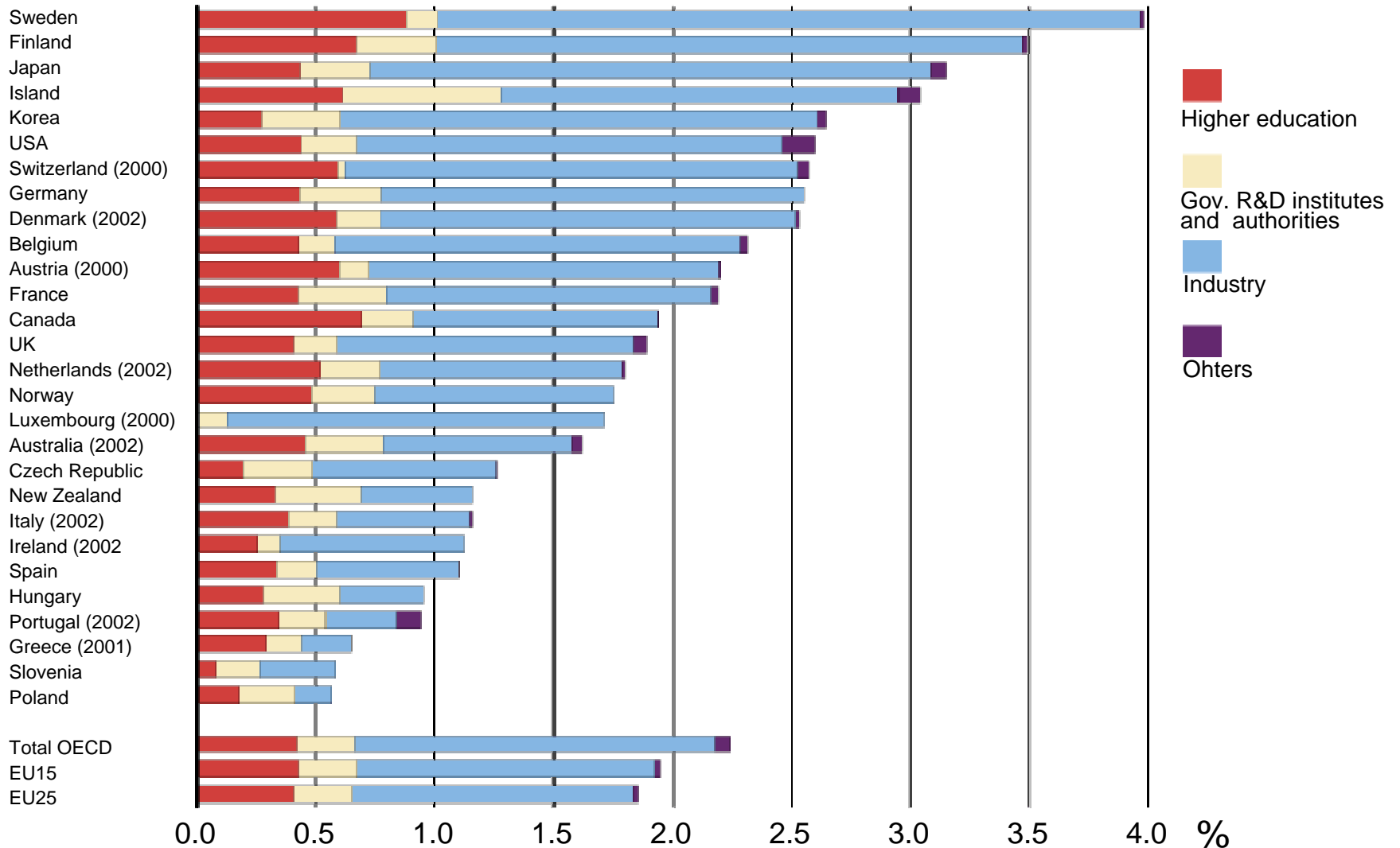
# A presentation with four themes

- How to attract more financing to R&D, project development and seed financing
- Is there anything to learn from other countries?
- How to attract more VC-financing to the Nordic arena
- What does Industrifonden bring to the party?

# Theme 1

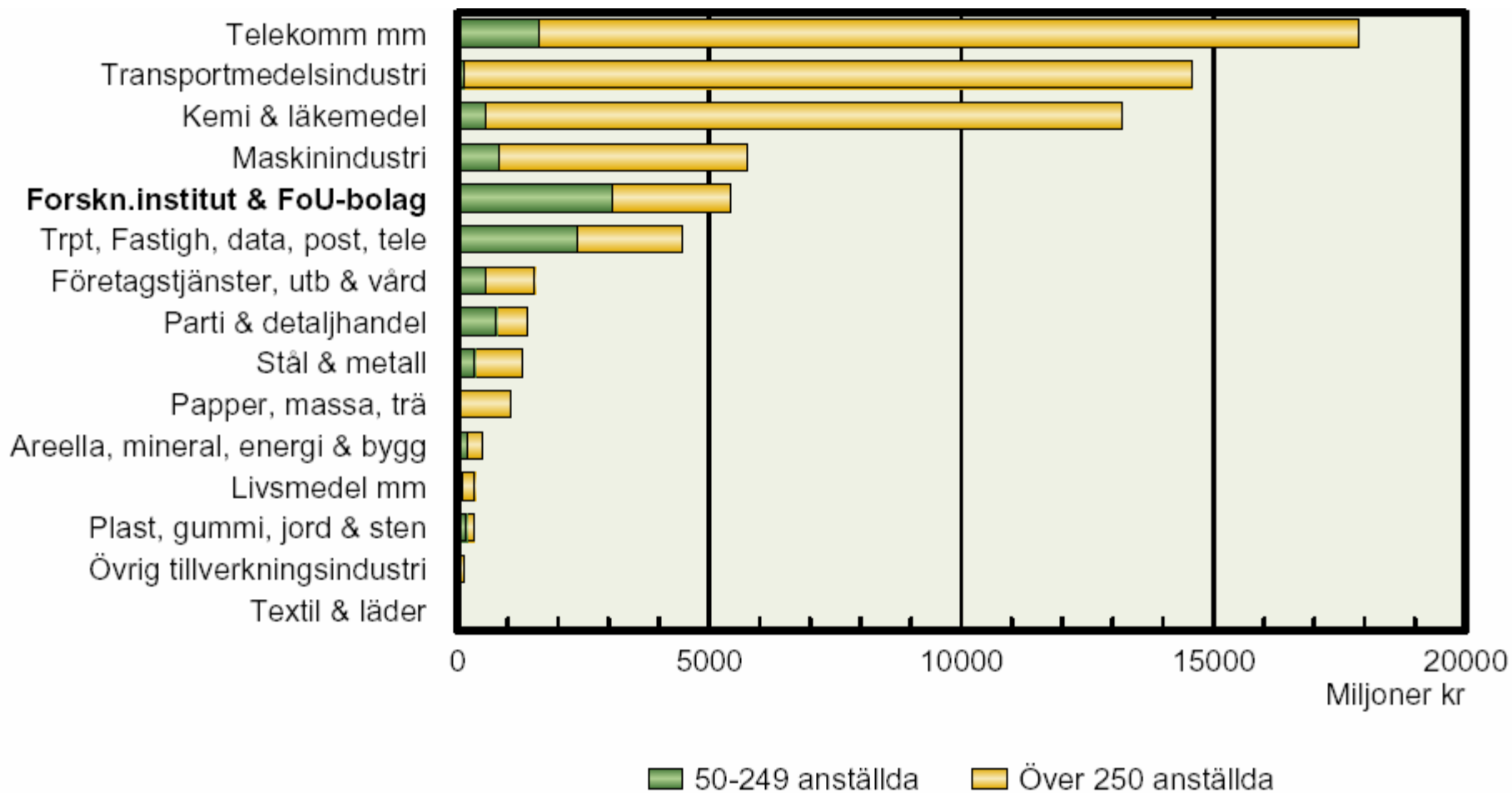
How to attract more financing  
to R&D, project development  
and seed financing

# R&D expenditures 2003

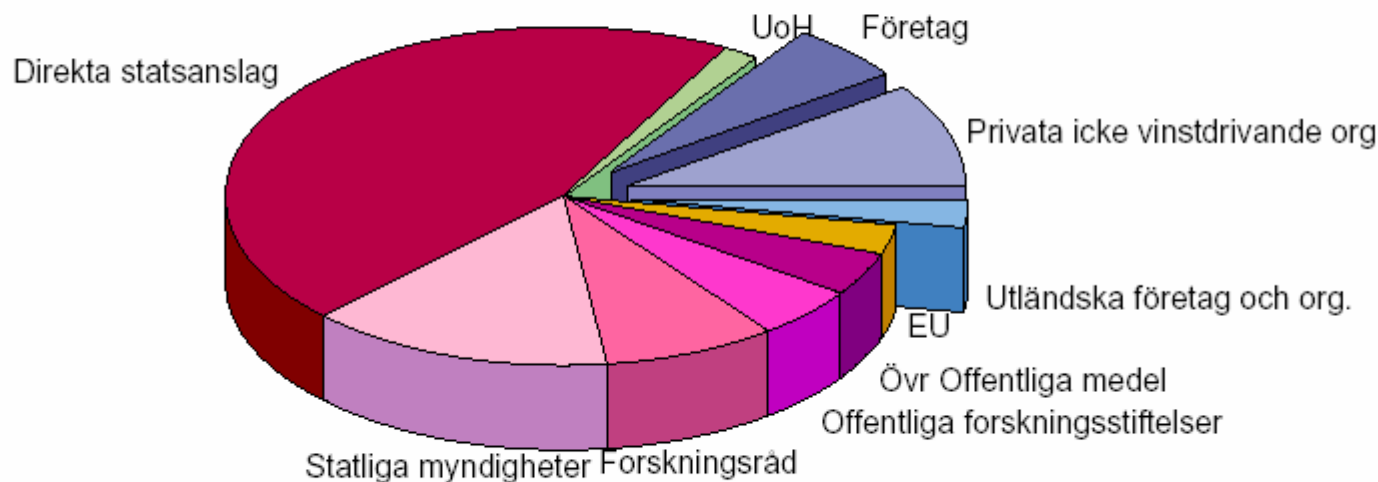


Source: OECD

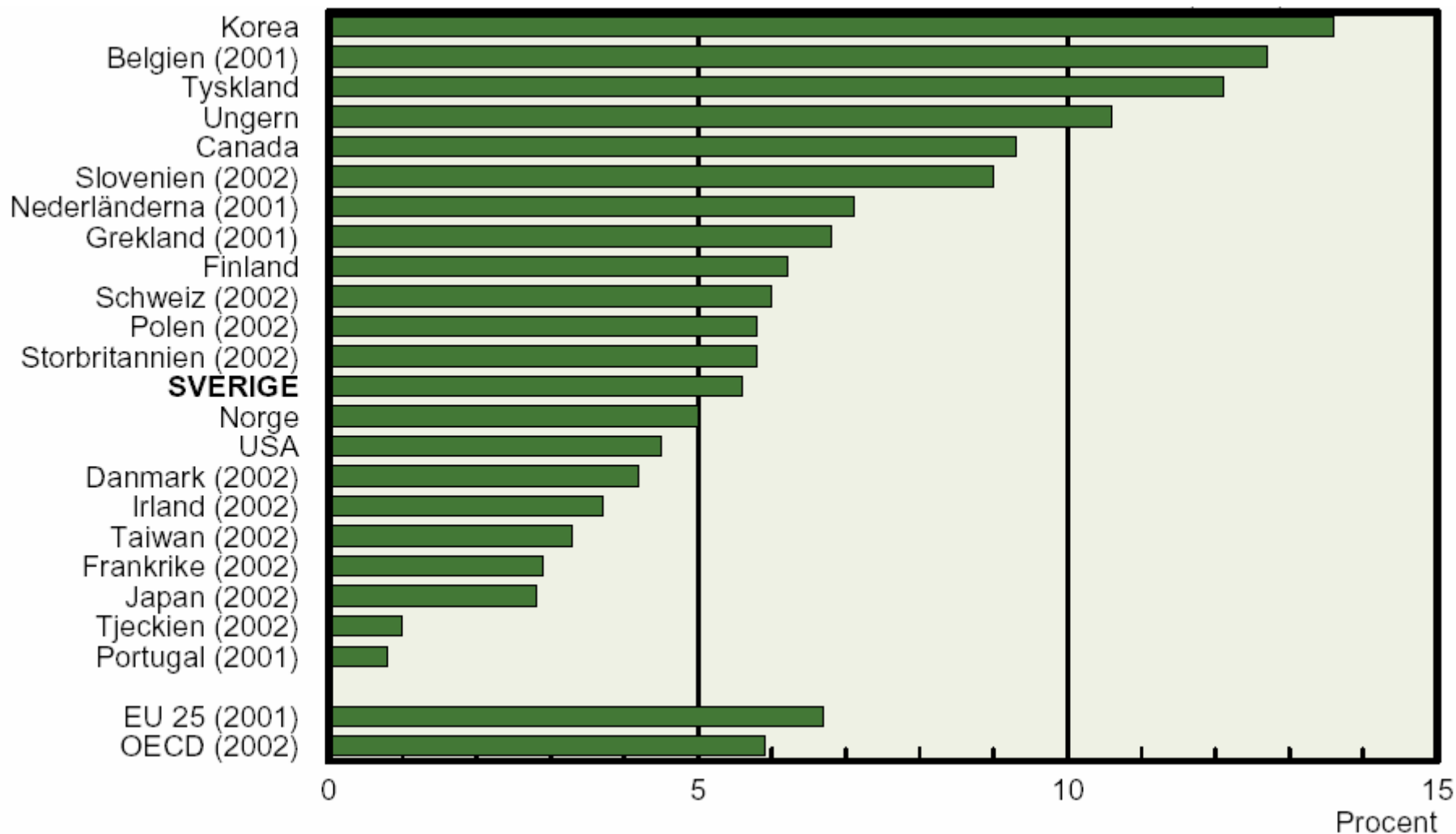
# Corporate R&D expenditures 2003



# R&D financing, universities, 2003

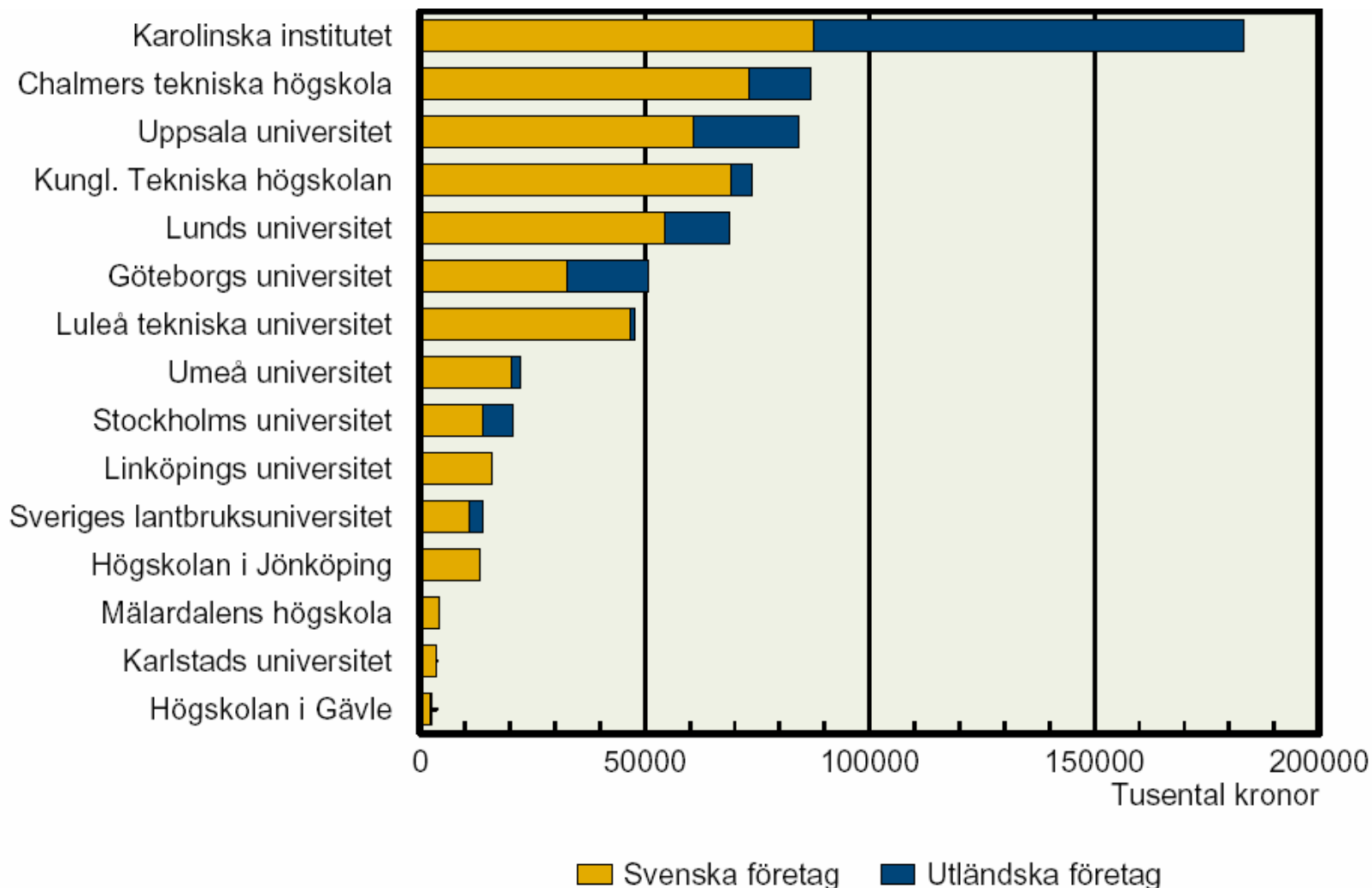


# University R&D funded by industry 2003

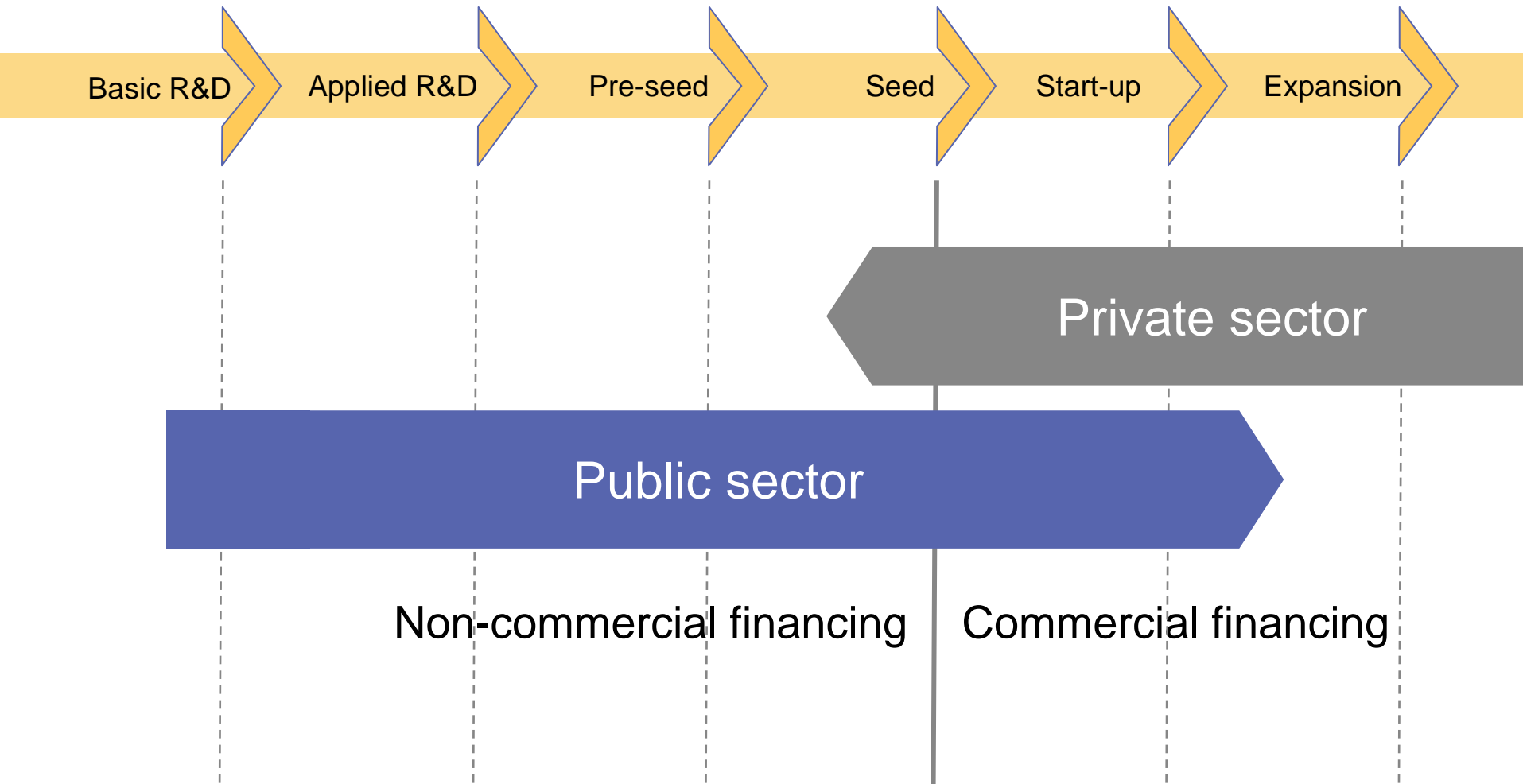


Source: OECD, MSTI, NIFUSTEP

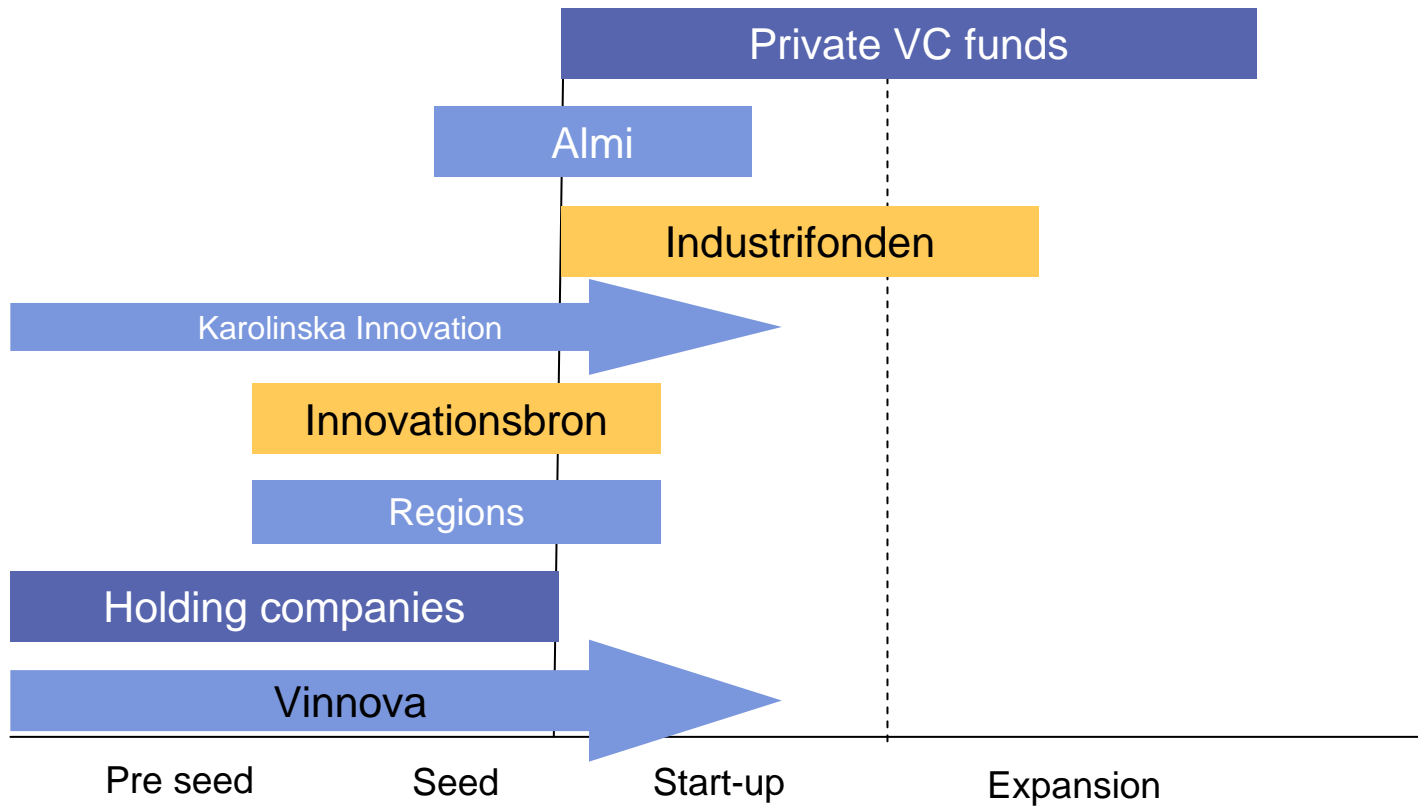
# Applied R&D funded by industry 2003



# Financing in different stages



# Some financial players on the innovation arena



# Government strategy hits a rock?

- More R&D support to young innovative companies is necessary
- VINNOVA's Forska & Väx-program of 100 MSEK for 2006 was a welcome addition
- The Government intended to enlarge this program to 200 MSEK in 2007 with tax credits based on qualified R&D. This proposal was unexpectedly withdrawn from the spring budget!
- Predictability, not stop-and-go, would be welcome



**Forska&Väx**

## Theme 2

Is there anything to learn from other countries?

# Public financing to companies/VC-funds,

SEK bn	Sweden	Finland
Sw governm/Tekes	1,0 (2001, flöde)	2,2 (1,2 till SMFs)
Industrifonden/SITRA	3,3 (BR 2005)	5,5 (BR 2005)
AP6/Finnish Ind. Inv.*	2,6 (2005, stock)	2,3 (2005, stock)
Innovationsbron	0,2 (flöde)	N/A
ALMI/Finnvera	0, 06	N/A
Regional funding	0,25	N/A

Source: VINNOVA, Annual reports

\* Outstanding investments in Technology and Life Science Funds

# Impressions from some other countries

**UK** has a wide range of instruments in favour of young innovative companies and of investors

**France** gives favours to young innovative companies and has a tax credit system with broad focus to boost incremental R&D

**Norway** has a tax subsidy scheme that implies that government funds 20% of corporate R&D

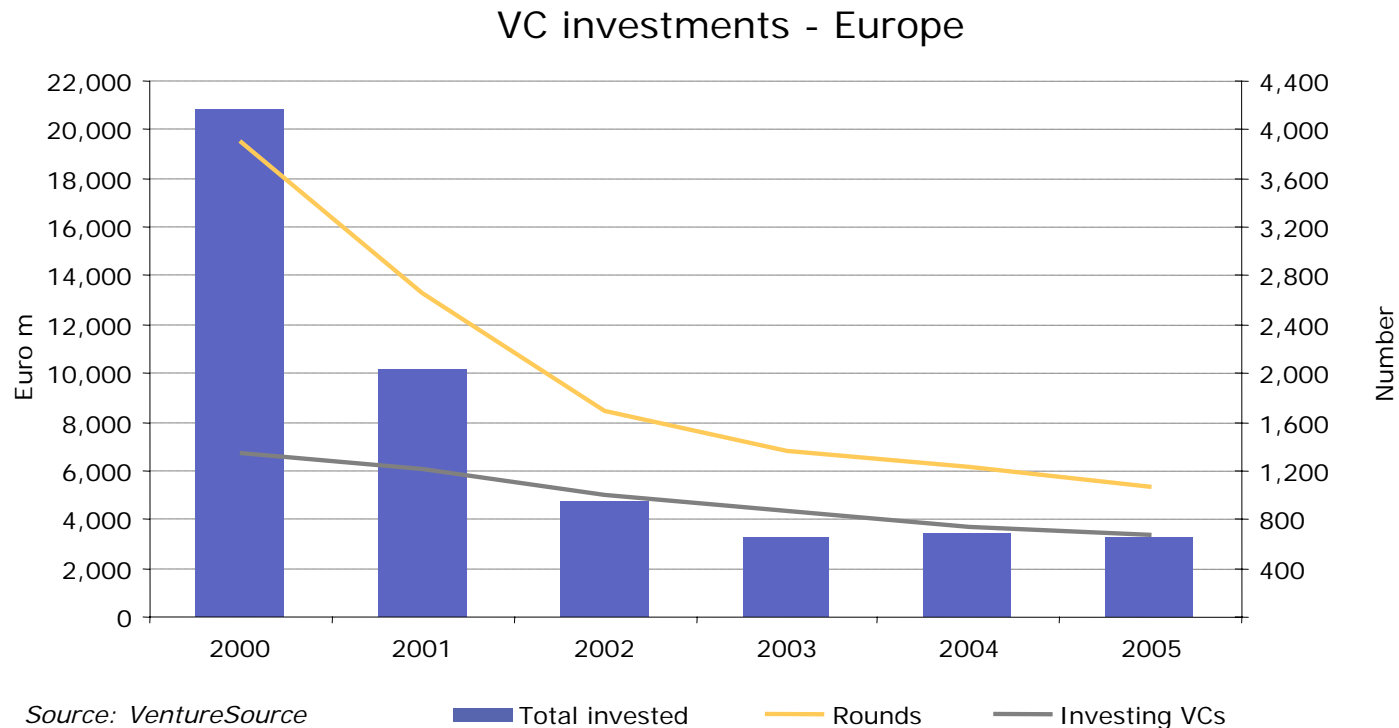
**Canada** has had a federal tax credit program for a capped share of R&D. Credit can be replaced by cash payment for loss making companies.

# Theme 3

## How to attract more VC-financing to the Nordic arena



# The VC market has stabilized

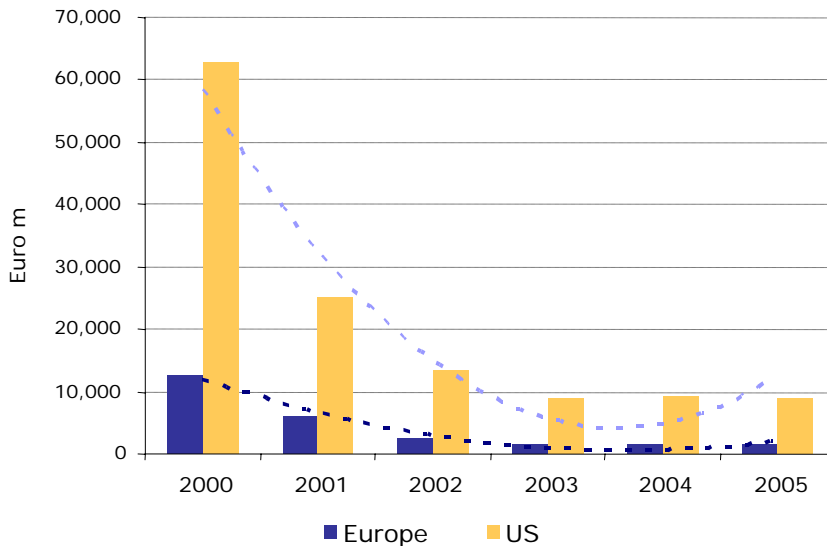


The VC market has been stable in terms of amounts invested for the last three years. Since 2000, the number of active Venture Capitalists has been divided by two.

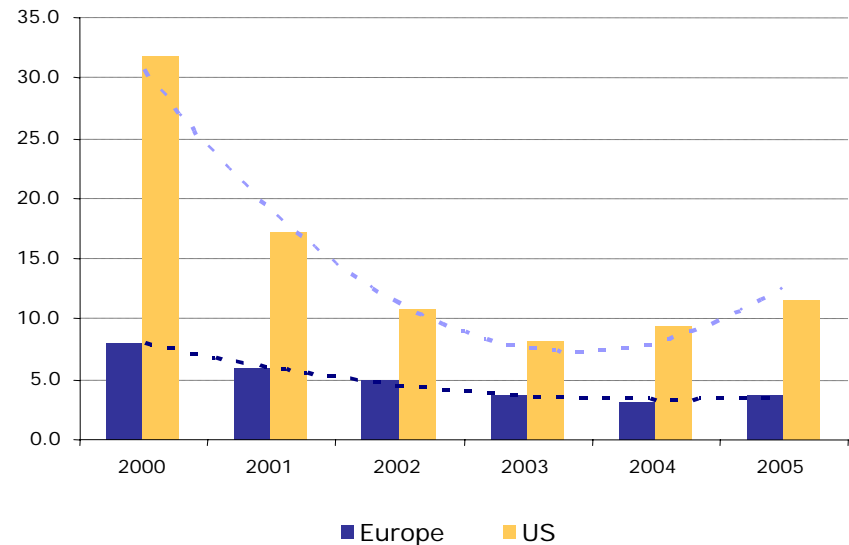
Source: Access Capital Partners

# ICT: Europe vs US

## Amounts invested



## Pre-money valuations



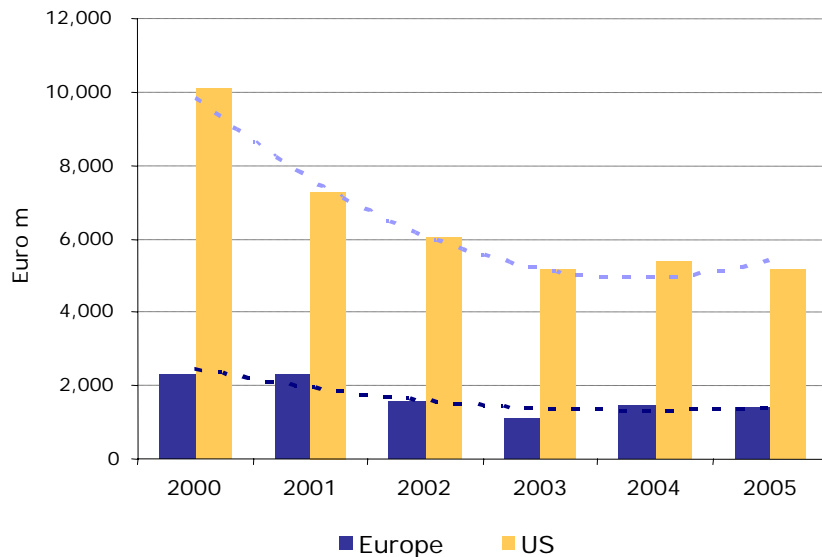
Source: VentureSource

Investments in both regions have decreased by over 80% since 2000  
 In 2005, European pre-money valuations have remained considerably below US levels (-68%)

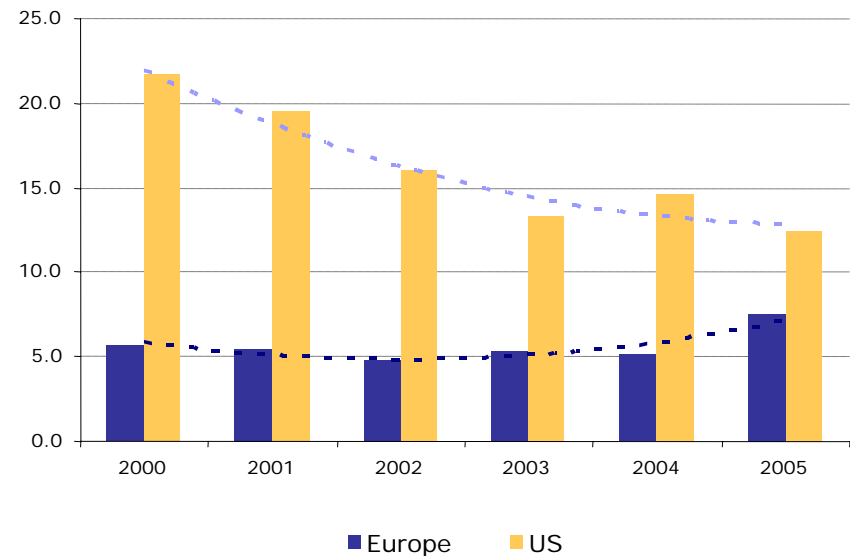
Source: Access Capital Partners

# Life Sciences: Europe vs US

## Amounts invested



## Pre-money valuations



Amounts invested in the US have been halved since 2000 whilst the European market has been less impacted with a decrease of 40%

In 2005, European pre-money valuations have remained significantly below US levels (-40%)

Valuations have been less impacted by the downturn than in the ICT sector

Source: Access Capital Partners

# The prospects ahead for VC-funding

- The appetite for venture capital with European investors has cooled significantly
- To convince investors Life Science VC must demonstrate a return that compensates for risk and lack of liquidity. The jury is still out!
- No increase in VC-funding to the sector
- Only management teams with demonstrated track record will get new funding. Fewer but larger funds
- The Nordic area, and Sweden in particular, is of strategic importance

# Theme 4

What does Industrifonden  
bring to the party?

# Industrifonden

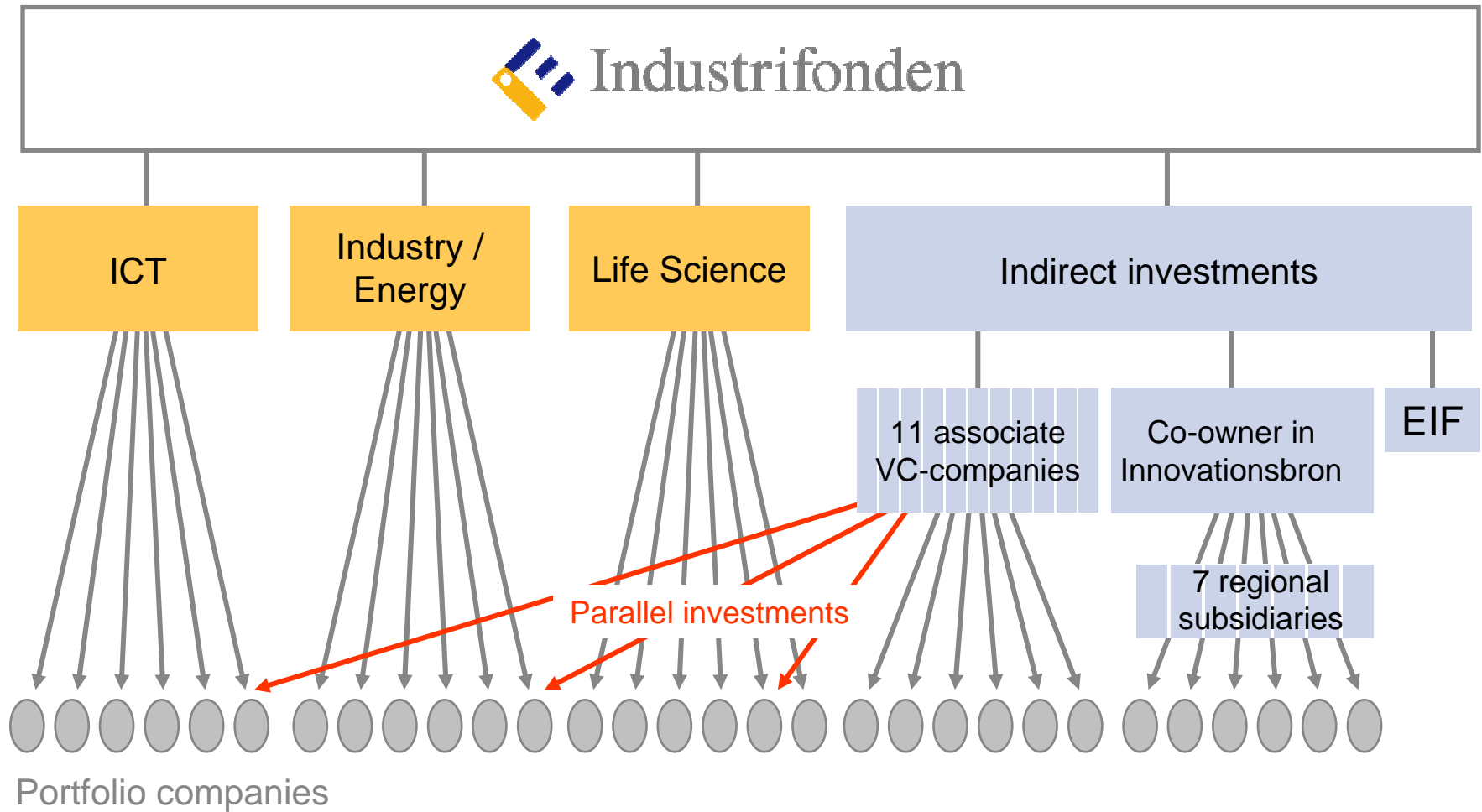
Foundation set up by the government in 1979  
Self-financing, no government funding

Assets under management: 3.2 billion kronor  
Invested capital: 1.6 billion kronor

Active long-term investor in innovative  
Swedish growth companies

Direct investments in around 100 companies.  
Major shareholder in 11 regional VC-  
companies and Innovationsbron AB.

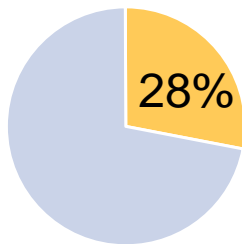
# Investments



# Life Science

Pharmaceuticals, medical devices,  
diagnostics and technology platforms

No of direct investments: 34  
Invested funds: 450 MSEK



Share of  
Industrifonden's  
invested capital



# Portfolio companies, some examples





## Välkommen till Industrifonden

Industrifonden är en aktiv och uthållig delägare i svenska innovativa tillväxtföretag. Industrifondens investeringar görs på affärsmässiga villkor i samarbete med entreprenörer och andra investerare.

### Aktuellt från Industrifonden

#### Entreprenörsbarmetern, 12 december 2005

Utvecklingen under hösten för de kunskapsbaserade tillväxtföretagen har varit stark och

### Pressmeddelanden

**2005-12-12**

Konjunkturen för kunskapsbaserade företag förbättras – många planerar nyanställningar

**2005-12-01**

Industrifonden minskar sin ägarandel i BioInvent International AB (publ)

**2005-11-16**

Industrifondens vd Claes de Neergaard: Lovande framtid för svensk venture capitalindustri

[Fler pressmeddelanden](#)

### Övriga nyheter

**2005-12-09**

Arcam får rekordorder

**2005-12-09**

[Mer information](#)

# www.industrifonden.se

CAPITAL

COMPETENCE

NETWORKS