

Merck Ventures

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Merck Ventures investment fund expands to new sectors

Merck has expanded its corporate venture capital arm to all of its business sectors under the newly named Merck Ventures and has doubled the total fund size to €300 million.

Building on the success of its biopharma venture fund, which had grown to an evergreen commitment of €150 million since its inception in 2009, Merck has expanded its existing commitment to cover all three of its business sectors, as well as potential new business fields. Under Merck Ventures (formerly MS Ventures), dedicated investment teams will focus on one of four specific funds: Healthcare, Life Science, Performance Materials, and New Businesses.

The total volume of the new corporate venture fund is €300 million—double that of the previous fund—and each team has the capacity to engage in seed-stage company creation, early-stage syndicated investments, and Merck spin-off creation and funding. With headquarters in Amsterdam, the Netherlands, and offices in the United States, Germany, and Israel, Merck Ventures is managed by a global team headed by Roel Bulthuis, managing director.

"In Healthcare we have built up a very effective fund to invest in new ideas, which has been relatively successful, both strategically and financially, so we want to do the same for Merck's other business sectors," said Bulthuis. "Each of the new funds comes with an initial commitment of €50 million, and the ambition is to develop them into self-sustaining, evergreen funds like the Healthcare fund."

The Healthcare fund will continue to focus on opportunities relevant to Merck's biopharmaceutical business, while the Life Science fund will open up new opportunities for innovation in cutting-edge systems for scientific research and production, and the Performance Materials fund will invest in specialty chemicals and materials. The New Businesses fund will focus on opportunities currently outside Merck's core business areas that could become relevant in another 10 or 15 years.

Strategic investment

Merck Ventures has a clear strategic mandate to invest in innovative technologies and products with the potential to have a significant impact on Merck's core business areas, as well as the prospect to generate financial returns. It achieves this by maintaining a focus on early-stage investment and company creation, which allows it to help shape the new company and asset-development strategies.

It takes an active role in its portfolio companies and teams up with entrepreneurs and co-investors to translate innovation into commercial success. Where necessary, team members will even take on operational roles, such as interim CEO or roles in business development or financing, until the new company has the resources to become self-sufficient.



Merck Ventures also has a strong commitment to supporting and coaching its management teams. "We are big believers in keeping stability in our management teams wherever possible," said Bulthuis. "We want to make sure that we develop our people to continue to lead their organization, even when the scope and size of that organization is changing significantly."

The Healthcare fund currently has 24 active portfolio companies, including F-star, which demonstrates the success of this strategic investment approach. "We invested in F-star in 2009 with the anticipation that bispecific antibodies, especially in the oncology and inflammation field, would be very relevant for our parent organization," said Bulthuis. In 2011, Merck entered into a collaboration with F-star in the discovery and development of new antibody-derived therapeutic products, and the partnership continues today. "Our position as an investor certainly helped to facilitate that deal with Merck," said Bulthuis.

Spin-off companies

Merck Ventures also has dedicated funds to support the creation of spin-off companies from Merck's businesses. For example, Merck Ventures formed Asceneuron in 2012 through a spin-off from Merck's Alzheimer's disease program and funded the initial development of key molecules. In 2015, Asceneuron raised CHF 30 million in a series A financing round to support the development of its lead program to a pivotal proof-of-concept trial.

"Asceneuron is a very successful example of an asset that would otherwise have been shelved but has now turned into one of the more promising biotech companies in the neurodegenerative field in Europe," said Bulthuis.

Merck Ventures will also continue to support biotech startups via the Israel Biocubator, which offers seed financing and access to dedicated laboratory facilities within the Merck Yavne facilities. Three companies have been founded to date, including cancer metabolism company Metabomed, which has achieved \$18 million in series A financing this year.

New opportunities

Merck Ventures has considerable capacity in its Healthcare fund to invest in new opportunities strategic to Merck's biopharma business. These include areas such as oncology, immuno-oncology, and autoimmune and inflammatory diseases, as well as new types of therapeutic modalities such as gene editing and cell therapy.

"We expect to make three or four investments a year with up to €12 million allocated over the life cycle of each of those investments," said Bulthuis. "Initial ticket sizes typically range from around €200,000 to €300,000 for the smallest seed investments, up to around €6 or €7 million for the largest series A investments."

The Life Science fund is looking at a broad range of enabling technologies and innovative platforms in areas related to Merck's Life Science business (Millipore and Sigma-Aldrich). The New Businesses fund may also offer links to Healthcare and Life Science in the fields of digital medicine and digital transformation of the laboratory, although its scope extends to agriculture and food too.

Merck Ventures offers the benefits of an early-stage investor together with the ability to access research and commercial resources in a leading science and technology company. "By partnering with Merck Ventures, you get an investor who takes a long-term view and is dedicated to creating value in the company," said Bulthuis.

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