



## Merck Ventures

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# Driving innovation through early-stage investments

**Merck Ventures is investing in transformational ideas and guiding entrepreneurs toward commercial success by taking an active role in its portfolio companies.**

Merck Ventures, the corporate venture capital arm of Merck, invests in innovative science, technologies and products, and is earning a reputation for adding real value to its portfolio of emerging companies. It places emphasis on early-stage investing, and offers hands-on support at all levels, helping entrepreneurs and academics to translate their ideas into commercial reality.

"We take an active role in company creation, backed up by a sizeable fund and a long-term commitment, which can be crucial for companies in the early stages to prepare them for future success," said Jasper Bos, vice president and head of the Healthcare Fund.

As an investor in emerging companies, Merck Ventures also believes it has a responsibility to build stable management teams, which it achieves by supporting and coaching the founders of emerging companies as they grow into their leadership roles. "We have seen people with a scientific background come out of their comfort zone and gradually grow into leadership roles, and they are now leading some of the most exciting biotech companies in Europe," said Roel Bulthuis, senior vice president and managing director. "The stability, leadership and ownership that we see with our management teams really adds value to our companies, and is a concept we will continue to advocate in our investment strategies going forward."

Merck Ventures has a total fund of €300 million across four sector-focused areas: health care, life sciences, performance materials and new businesses. Dedicated investment teams work on areas that are strategically relevant to Merck's core businesses, including next-generation drugs in the fields of oncology, immunology and immuno-oncology; tools and services for biotech research; and new business fields such as digital medicine.

### Maturing spin-off companies

With headquarters in Amsterdam, the Netherlands, and offices in the United States, Germany and Israel, Merck Ventures operates globally, making direct investments in syndicated deals, providing seed investments and creating companies, including spin-offs from Merck R&D programs. Asceneuron and Prexton Therapeutics were among the first Merck spin-off companies to be created back in 2012. Both were in the high-risk neurodegenerative space, so Merck Ventures developed their management teams and funded their initial development of key molecules over the first 2–3 years, ensuring that Asceneuron and Prexton Therapeutics could successfully operate as independent companies.

"They are now reaching a level of maturity where external investors are seeing the value of our work, and we are very excited about the direction these



companies are taking," said Bos. In 2015, Asceneuron raised CHF 30 million in a series A financing round to support the development of its lead program in Alzheimer's disease and related neurodegenerative diseases, and Prexton Therapeutics recently raised €29 million in a series B financing round to support phase 2 studies of its lead product candidate in Parkinson's disease.

ObsEva, another successful spin-off company that focuses on the development of innovative drugs for women's reproductive medicine, is now listed on the NASDAQ Global Select Market and has three product candidates in clinical development for four indications.

### Strategic external investments

Merck Ventures applies the same philosophy of taking an active role and supporting management teams where necessary to its external investments. For example, it recently joined forces with other investors in a \$6.3 million series A round of financing for ARTSaVIT, an Israeli startup company that is now housed in the Merck Ventures Israel BioIncubator. The BioIncubator bridges the gap between academic research and the biotech industry in Israel by offering seed financing and access to dedicated laboratory facilities in the Merck facility in the city of Yavne. The BioIncubator will support the development of ARTSaVIT with its infrastructure and a wide range of incubation facilities and services.

Merck Ventures also has a track record of making direct investments in syndicated deals in the United States. In 2016, it completed a successful exit from Padlock Therapeutics, a biotech company dedicated to creating new medicines for destructive autoimmune diseases. "We want to create that same kind of environment in Europe, by pooling capital around really exciting ideas in order to accelerate the development of biotech companies in Europe," said Bulthuis.

### Opportunities in digital medicine

Other strengths of Merck Ventures include its broad reach across health care and the life sciences, as well as its access to a dedicated New Business Fund, which is opening up opportunities to invest in new interdisciplinary approaches such as digital medicine. "We are able to capitalize on changes in our industry that essentially converge between health care, life science, materials science and digital applications—and I think we are uniquely positioned between those fields," said Bulthuis.

Akili Interactive Labs, for example, is a digital medicine company that is developing clinically validated cognitive therapeutics, assessments and diagnostics that look and feel like high-quality video games. In 2016, Merck Ventures joined a series B financing round to support and expand the clinical development of products from Akili Interactive Labs, including its lead product candidate, Project: EVO, for pediatric attention deficit hyperactivity disorder (ADHD).

"We are also developing the same device as a disease-monitoring tool, which could be used for indications such as ADHD, schizophrenia and early-onset Alzheimer's disease," said Bulthuis. "It's a broadly applicable platform that has the potential to be an important add-on for therapeutics, as well as diagnostics or disease monitoring."

Alongside the benefits that come with an early-stage investor, Merck Ventures also provides access to the broad expertise and infrastructure of a leading science and technology company.

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