

## Regional Initiatives

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### ▼ Denmark's sense of urgency

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#### **Denmark's next generation of biotech startups needs smart government money and solid VC backing. Is help on the way?**

Biotech startups should be thriving in Denmark. The country has infrastructure, research talent, startup partners and a tradition of producing high quality medical technologies of all sorts. All told, Denmark's medical technology sector produced \$4.1 billion in sales last year. Medicon Valley, which extends from Copenhagen to southern Sweden, is home to 125 biotech companies, including some of the biggest names in US and European biotech. Denmark's homegrown firm, Genmab, has \$500 million in cash reserves.

Yet, Danish biotech startups are having a rough go of it now because biotech-focused venture capital has all but disappeared and government backing is still a work in progress, effectively stunting the growth of the next generation of Danish biotechs.

After a series of missteps to fix the situation, the government of Denmark has finally acknowledged this and the fact that the burden of kick-starting the next generation of Danish biotechs falls squarely upon its shoulders. The government vows that in the coming months, Denmark will once again be fertile ground for global-ready biotech startups. Unlike most countries chasing dreams of biotech, Denmark's reputation is at stake, so one might say there is a sense of urgency to all of this fix-up.

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The odds of success are at best, even. After all, Danish venture capitalists (VCs) are not inclined to fund early-stage biotechs. Indeed, Denmark's main venture funds have been of little help to biotech startups. Most Danish VCs seem far more eager to invest in biotechs outside of Denmark.

To be fair, venture funding is relatively new to Denmark, having started around 2000, according to Trine Winterø, a partner in Copenhagen-based SeeD Capital. She notes that it's not all that difficult to understand why Danish VCs have focused much of their attention on UK and US biotech startups. This is, after all, where most of the world's biotech-oriented VCs put their money.

Florian Schönharting, a founder of Nordic Biotech, a VC firm in Copenhagen, says Danish VCs have also suffered from chronic undercapitalization. Like most European VC groups, the Danes don't have a lot of capital or liquidity to work with, so their investment decisions have necessarily been highly select and product-focused; VCs in Denmark tend to steer clear of technology platform startups.

Little wonder Danish startups turn to the government for help. Unfortunately, the large government fund that had supported high-tech developments of all kinds, Vækstfonden (formerly the Danish Growth Fund), has in the past handed out easy loans but offered little to help startups in the way of management, product development and partnership assistance. The results have been predictably poor. Even though Danish VCs are themselves startups of a sort, they have been smart enough to realize that biotech startups that had received Vækstfonden funding were far from validated prospects.

The Danish government and the country's VCs acknowledge that if they



SeeD Capital

Trine Winterø of SeeD Capital Denmark says that the Danish VC market is a bit older now, and a whole lot wiser.

don't get their biotech startup system back on track soon that their failure to do so will send a clear message to those who might otherwise turn to Denmark biotechs for investment and partnering opportunities, that Denmark has lost its edge. The core of the rebuilding effort is the government's High Technology Fund to develop biotech, nanotechnology, and information and communications technology.

"The aim is going to be to put DKK 2 billion [\$331 million] every year," into the fund, says Winterø.

“Now comes the hard part—building the next generation of Danish biotechs worthy of all of this money and attention.”

Schönharting notes that the fund should be functional within the next few months. He notes that the Danish government also plans to help fortify the country's VC community by earmarking government money for eligible VC groups willing and qualified to invest in early-stage technology firms of all varieties—but particularly those attempting to commercialize biotech. SeeD Capital, formed last December in a merger between Symbion Capital and Copenhagen-based DTU Invest, received an investment of DKK 150 million (\$25 million). According to Winterø, it is one of eight VC funds to receive direct government funding.

Vækstfonden, for its part, is also making a direct investment in VC funds, too, and appears to be doing so using a more robust set of eligibility requirements for its recipients. In the past year, the fund has committed DKK 1.3 billion (\$215 million) to 11 funds. The fund is also still making direct investments in early-stage firms, albeit also with greater rigor and a more long-term focus through multiple financing rounds, according to Martin Vang Hansen, Vækstfonden's COO.

Now comes the hard part—building the next generation of Danish biotechs worthy of all of this money and attention.

## Web links

### Websites referenced:

- [Growth Fund/Vækstfonden](#)
- [SeeD Capital Denmark](#)
- [Nordic Biotech](#)
- [Invest in Denmark](#)

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