Evaluate Vantage

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The rise and rise of the corporate venture arms

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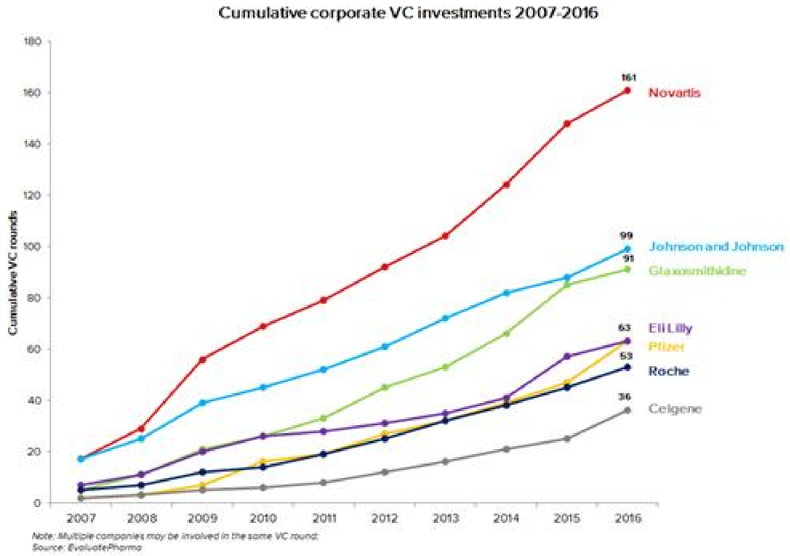
Oncology is king when corporate VCs decide where to put their cash – but medtech is surprisingly popular too.

Corporate venture firms are a well-established presence on the biotech funding scene, with the likes of Novartis and Glaxosmithkline's SR One among the most active investors in the sector. However, the past few years have seen some different names crop up more and more: Pfizer, Celgene and Roche have noticeably stepped up their financing activity, a new analysis by *EP Vantage* finds.

Pfizer in particular has substantially picked up the pace; last year its venture arm was involved in more rounds than Novartis, helping to fund 16 different start-ups, its most active year to date. What is less surprising is where all this corporate money has flown – in large part to oncology companies, echoing broader VC trends, though medtech investments have also taken a big slice of the cash (see analyses below).

These analyses were extracted from *EvaluatePharma's* venture financing data, looking at corporate venture investing from 2007. We have focused on the activities of drug developers, and have not included the financing activities of pure-play medtech companies like GE Healthcare or Medtronic, so the picture of medtech investing here is far from complete.



The graph above shows that a decade ago Novartis and J&J were the dominant corporate forces in the venture world, and this remains the case today. They were among the first to take this activity on – J&J set up its investment activities through an arm called JJDC in 1973 and Novartis Venture Fund was set up in 1996. Glaxo set up SR One in 1985.

In the next decade, Lilly Ventures was founded in 2001 and Pfizer Venture Investments in 2004. Despite being one of the newer arms, Pfizer has been catching up in the past couple of years. The same goes for Celgene – although it has never created a distinct venture unit, the big biotech made 11 investments last year, a personal best that made it one of the most prolific corporate backers in 2016.

The graph above maps the cumulative count of financings made by the sector's most prolific corporate names, ranked by last year's activity. The dominance of Novartis over the years is clear; with a broad focus on human therapeutics, medical devices and diagnostics, the Swiss group scours a bigger pool of potential starts-ups than those companies with a more focused gaze.

This analysis does not show the sums of money being invested, as this is not disclosed by individual investors, though companies presumably feature in a similar order. Investments by each group were tallied, and because rounds can contain more than one corporate arm some financings will have been double-counted.

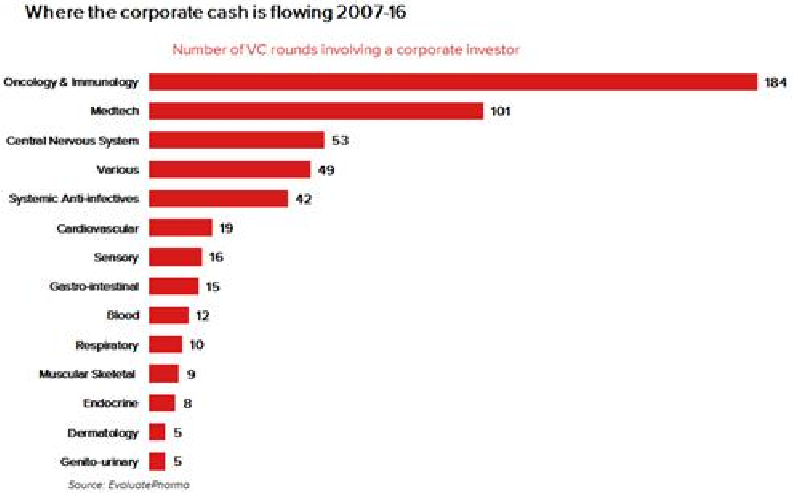
At the top table – most active life science venture investors 2007-16		
Rank	**Investor**	**Investment count**
1	New Enterprise Associates	174
2	Orbimed Advisors	164
3	Novartis Venture Funds	161
4	Novo	144
5	Domain Associates	132
6	Versant Ventures	123
7	Polaris Ventures	122
8	SV Life Sciences	105
9	Kleiner Perkins Caufield and Byers	102
9	MPM Capital	102
...		
11	Johnson & Johnson Development Corporation	99
12	SR One	91
31	Lilly Ventures	63
31	Pfizer Venture Investments	63
37	Roche Venture Fund	53

Looking at where the corporate cash is flowing, therapeutically, shows that here as elsewhere oncology is king. Cancer drug developers have been backed more than any other company type. The analysis below was counted by round, so even if a round contained more than one corporate investor it was only counted once.

Medtech also takes a big slice – as well as J&J and Novartis, Roche and Pfizer have been big funders of devices in the pharma world.

Another therapy area that stands out for corporates is disorders of the central nervous system, or neurology – outside the big investors like Novartis and SR One, Takeda and Biogen have shown interest here. It is no secret that corporate arms tend to track the developmental focus of the parent company.

And perhaps surprisingly, given the huge commercial question marks over novel antibiotics, the anti-infectives sector has proven a relatively big draw over the last decade. Astellas and Astrazeneca are notable investors, again alongside Novartis and SR One.

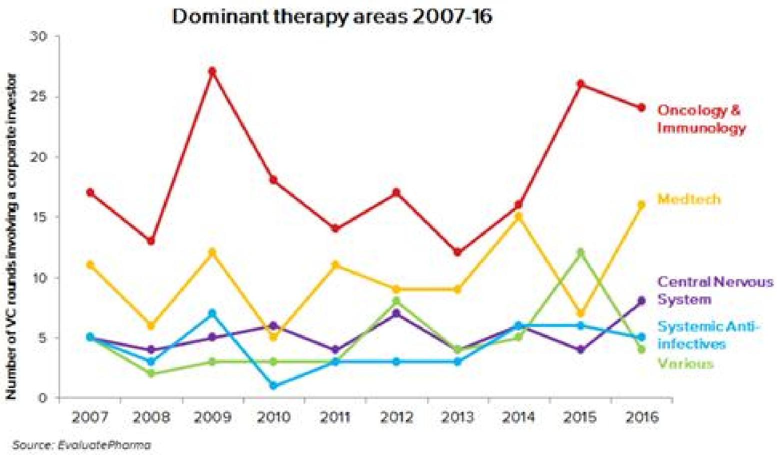


Looking over time, meanwhile, provides some interesting insight into how therapy focus has shifted.

Oncology has grown, but it is clear that even a decade ago cancer was the main focus for corporate venture arms. And interest in CNS medicines has also held up, despite several high-profile failures and ongoing struggles with trial design in many neurological conditions.

A caveat of this analysis is that the classification of companies into therapy areas might not always reflect the entire focus of a start-up's R&D efforts; this also masks the growing interest in rare diseases and certain technologies like gene therapy. This can be seen to a certain extent in the growing "various" category, where companies like Bluebird Bio and the gene editing players like Crispr Therapeutics have been placed.

Overall, however, corporate venture investing has been growing over the past decade, and is showing no sign of falling out of fashion.



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