Spinnovator— a German public startup engine

By Michael J. Haas, Senior Writer

Technology transfer organization **Ascenion GmbH** and early stage VC firm **Vesalius Biocapital** aim to bridge the translational gap in Germany with **Spinnovator**, a joint initiative that will spend up to €40 million (\$58.5 million) to spin out technologies from publicly funded institutes in Germany into as many as 10 startup companies over the next 5 years.

“German life science research is producing many new approaches for the diagnosis, treatment and management of serious diseases, but so far a great deal of that research’s potential has remained untapped because the institutions lack the finances or experience to develop early stage technologies through to preclinical proof of concept,” said Christian Stein, CEO of Ascenion, which represents 25 nonuniversity institutions in Germany.

“Venture capital in Germany is still rare,” and few investors are willing to invest in a technology without preclinical proof, added Christian Schneider, managing partner at Vesalius.

Spinnovator aims to overcome the developmental obstacles confronting early technologies and their inventors by combining public funding with Vesalius’ money and business experience to start up new companies, said Katja Rosenkranz, senior project manager of Spinnovator at Ascenion.

Spinnovator will select projects in the fields of therapeutics, diagnostics, medical devices and nutrition from among the 24 publicly funded research institutes within the **Helmholtz Association** and the **Leibniz Association**—two organizations of nonuniversity research institutes in Germany—as well as from **Hannover Medical School**.

Two other programs that bridge the German translation gap—the Validation of Innovation Potential (VIP) program and the Gründungsoffensive Biotechnologie (GO-Bio) initiative—require the inventing scientists to take leading roles in assessing the commercial potential of their findings and/or how to bring them to market.

Rosenkranz said Spinnovator takes those decisions out of the hands of the inventor by providing seed support and business development capabilities. “We therefore believe that companies we initiate will develop in line with market requirements and emerge from the

Spinnovator at a developmental stage that attracts follow-on investors or industry partners,” she said.

Spinnovator also allows inventing scientists to take on roles in the startups—ranging from consulting to managing. Typically, management teams will be assembled for each company from Spinnovator’s network of international contacts.

Spinnovator team members—who are drawn from Ascenion and Vesalius—will sit on the company’s board and/or act in consulting or advisory capacities, she said.

Whither the wherewithal?

From a pool of up to €40 million, Spinnovator will invest up to a total of €8 million (\$11.7 million) in each startup’s seed, series A and series B rounds. About half of the capital will come from Vesalius, and the remainder will come as a grant from the **German Federal Ministry of Education and Research** (BMBF).

With few investors willing to take a chance on very early technologies, in most cases the seed investment will come only from Vesalius and BMBF via Spinnovator, Rosenkranz said. If a startup requires more than €8 million, Spinnovator will take the lead role in attracting additional investors.

“Our aim is to reach the first significant milestones—such as proof of concept—and to set up the company’s management, development plans and feasible pathways to an exit within five years, so that other investors will be comfortable investing in the company with us,” she said.

She added that in those five years Spinnovator expects to achieve Phase II proof of concept, thus making the startup attractive for acquisition by other drug, diagnostic, device or nutrition companies.

Rosenkranz said many companies initially financed by programs such as VIP, GO-Bio and the Helmholtz Validation Fund later run into problems when seeking follow-on investors. “With the Spinnovator we strive to

provide financing for the company from start to exit, while reducing the time lost by extensive fundraising road shows as much as possible,” she said.

Spinnovator is reviewing four projects with an eye to investing in one or two of them this year. Rosenkranz declined to disclose details of the projects.

Although its initial focus will be on publicly funded institutes, Spinnovator is interested in widening its circle of partner institutions to include private universities, she said.

Added Rosenkranz: “We also have a friendly and neighborly relationship with Max Planck Innovation and are considering working jointly on selected projects.”

Max Planck Innovation GmbH is the technology transfer arm of the **Max Planck Society**, a nongovernmental, not-for-profit research organization that is a major source of translational research in

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Germany. In the past three years, Max Planck Innovation has developed the infrastructure needed to advance the translational discoveries of Max Planck scientists by forming drug discovery company **Lead Discovery Center GmbH** and VC firm **DDC Ventures** to fund those leads through preclinical development.¹

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COMPANIES AND INSTITUTIONS MENTIONED

Ascenion GmbH, Munich, Germany

DDC Ventures, Munich, Germany

German Federal Ministry of Education and Research, Bonn, Germany

Hannover Medical School, Hannover, Germany

Helmholtz Association, Berlin, Germany

Lead Discovery Center GmbH, Dortmund, Germany

Leibniz Association, Berlin, Germany

Max Planck Innovation GmbH, Munich, Germany

Max Planck Society, Munich, Germany

Spinovator, Munich, Germany

Vesalius Biocapital, Strassen, Luxembourg