

**BASELAUNCH**



# **The key financial decisions and priorities for biotech startups**

**presented by Hoffmann & Partner AG**

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**12 March 2026**

# About Hoffmann & Partner

## CFO Services and M&A Advisory

- Hoffmann & Partner AG is an independent financial advisory firm based in Basel, specializing in M&A and CFO services for Swiss and international companies.
- We provide an integrated financial services model, combining corporate transactions (M&A), strategic financial advice, accounting and tax.
- Through our CFO services, we support biotech start-ups with part-time or interim CFO roles.
- Comprehensive Buy- and Sell-side Advisory incl. deal sourcing, due diligence coordination, financial modelling, data room preparation and negotiations.

## Speakers



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**AICA KEY FACTS**


**ALLIANCE OF INTERNATIONAL CORPORATE ADVISORS**

 <p><b>305</b> Deals closed in 2024</p>	 <p><b>\$8.5BN</b> Deal value in 2024</p>
 <p><b>58</b> Offices</p>	 <p><b>568+</b> Professionals</p>
 <p><b>38</b> Member firms</p>	 <p><b>6</b> Continents</p>
 <p><b>31</b> Countries</p>	 <p><b>2009</b> Founded</p>

# Agenda

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- 1 Introduction
- 2 Company Setup & Pre-Seed**
- 3 Seed Stage
- 4 Series A to exit readiness
- 5 Wrap up and Q&A

### Core Objective

Establish the legal, organizational, and financial foundation of the company and create the structure required to operate and raise initial capital.

### Focus of the phase

- Company setup
- Financial operation overview
- Build the first budget and financial plan
- Pre-Seed financing
- Establish a clean cap table and equity structure

# Company Setup

## Barebone operation setup



**Banking**

- Bank in CH, Neo-Banks can be challenging
- Startup Desks or experienced with Biotech
- Full Bank Services available
- Possible fundraising support
- Automation potential with accounting software

**Financial Service Partner**

- Startup expertise in all development phases
- CFO Service capabilities for Seed and Series A Support
- Understanding of R&D-driven companies
- Ability to scale with the company

**Legal Counsel**

- Strong corporate law
- Startup and VC financing expertise
- Strong IP and life sciences knowledge

Choose a partner that understands venture-backed startups and can support you from incorporation through Series A.

# Financial Operation

## What you need – and what you don't need yet

	 <b>What you NEED – and why</b>	 <b>What you DON'T need yet – and why</b>	 <b>Key takeaways:</b>
<b>Accounting</b>	<ul style="list-style-type: none"> <li>▪ Set up bank accounts</li> <li>▪ Outsource to finance service partner – simple, quarterly accounting including payroll</li> <li>▪ Payment Runs executed by founder team</li> <li>▪ Register for VAT</li> <li>▪ Own cloud-solution for data storage, all digital</li> </ul>	<ul style="list-style-type: none"> <li>▪ Own ERP/accounting software</li> <li>▪ Expense management tools</li> <li>▪ HR management tools</li> <li>▪ Finance team of any kind</li> <li>▪ Complex chart of accounts – keep it simple</li> </ul>	<p><b>Start simple</b>, with low maintenance and low costs structures – <b>founder team keeps financial oversight</b></p>
<b>Financial Reporting</b>	<ul style="list-style-type: none"> <li>▪ Annual financial statements according to Swiss CO</li> <li>▪ Compliance reporting for grants if applicable</li> <li>▪ Quarterly financial BoD Update if needed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monthly P&amp;L statements, balance sheets, cash flow statements</li> <li>▪ KPI dashboards or financial reporting software</li> <li>▪ No IFRS or Swiss GAAP FER</li> </ul>	<p>Swiss CO-compliant annual accounts are <b>legally required</b> and sufficient at Pre-Seed.</p> <p><b>Keep reporting simple</b> — only what is needed for current and potential investors/grants</p>
<b>Financial Planning</b>	<ul style="list-style-type: none"> <li>▪ Build a 12–18 month cash budget aligned to scientific milestones</li> <li>▪ Monthly update of budget vs. forecast vs. actuals</li> <li>▪ Contingency buffer built into the plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Complex scenario modeling</li> <li>▪ Discounted cash flow or rNPV models</li> <li>▪ 36 month budgets</li> </ul>	<p>At Pre-Seed <b>you can handle your budget</b>, have it <b>regularly reviewed</b> by a finance professional – but you don't need an external controller tracking it!</p>

# Budgeting and Financial planning – Pre-Seed

## Your First Budget: Milestone-Anchored, Not Quarter-Driven

### For Pre-Seed – Keep it simple but effective

- Build a monthly budget for 12-18 months
- Use Excel – its fine for now, Tools come later
- Monthly tracking of actuals and forecast
- Don't forget: Social Insurance Costs
- Include a buffer of 10-20%
- Contingent Liability – Update it monthly!
- Discuss your budget with your financial service partner – get professional opinion or review
- When do you run out of funds?

At Pre-Seed you can handle your budget, have it regularly reviewed by a finance professional – but you don't need an external controller tracking it!

### How to Build It

**1 Anchor to your next milestone and fundraising cycles**  
What is your next fundable event? (PoC data, patent filing, IND-enabling study). What does it cost to get there?

**2 Build bottom-up**  
List every cost category. Don't forget social insurance costs as an employer.

**3 Track Contingent Liability**  
What contractual obligation do you have today? Track it, update it – it has an impact on your runway!

**4 Update it monthly**  
Budget vs. actuals every month.

⚠ Plan for fundraising to take 6–9 months in biotech. Your runway must cover that buffer.

# Pitfalls in Pre-Seed

## Common mistakes

### 1 Hiring too many people too early

The workload at pre-seed does normally not justify many FTE's. You are creating a fixed cost, a management overhead, and a future severance obligation for work that an external service provider handles better and cheaper.

### 2 Deferring the financial backbone setup

The longer the period between incorporation and your first clean bookkeeping entry is a period of undocumented transactions that must be reconstructed later. Set up the financial service mandate before or at incorporation, not after.

### 3 Running any company expense through a personal account

Even temporarily, even for convenience. It creates a tax reclassification risk, a VAT question, and an investor red flag. The company account handles everything from day one.

### 4 Not documenting founder salary or consulting arrangements from the start

Whether founders are paying themselves, deferring salary as a loan, or working for equity only, every arrangement needs a written contract. Informal arrangements are the first thing an investor's lawyer queries.

### 5 Treating the budget as a one-off document

Producing the cash plan at incorporation and not updating it monthly. The early-warning function is lost — cash crises arrive as surprises.

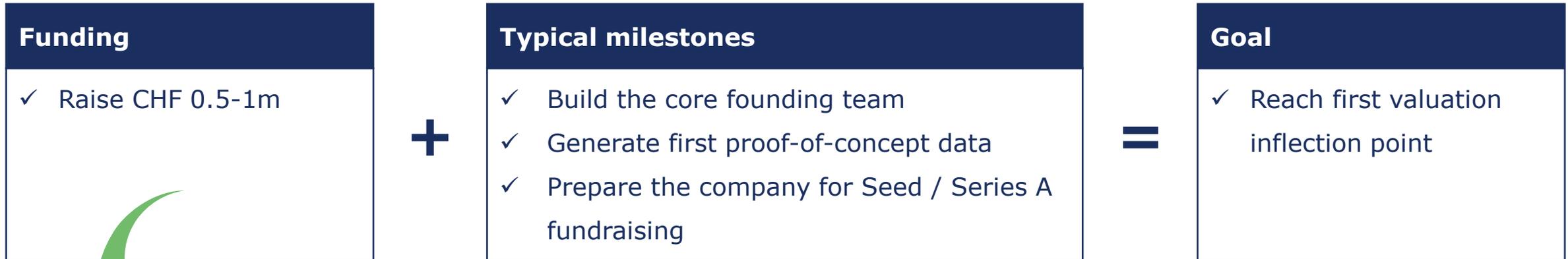
### 6 Underestimate time and costs of founding the company

Underestimating the time and cost of incorporation. Founders assume that setting up an AG takes a few days and minimal cash. In practice, notary fees, share capital (CHF 100'000 for an AG, CHF 20'000 for a GmbH), commercial register processing, and legal counsel for the shareholder agreement typically take 3–6 weeks and additional one-time setup costs — before a single experiment has been run.

## First financing / Pre-Seed financing

### Start early with designing your financing strategy

#### Goal of early financing:



**Key question: How to fund the company?**

- Two main options:**
1. Non-dilutive funding
  2. Dilutive funding

## Pre-Seed financing: Dilutive Funding

### Funding where investors receive shares in the company

#### Equity round

- ✓ How to value such an early-stage company?  
-> Do I need a valuation or can I postpone this discussion?

OR

#### Convertible loan

- ✓ Valuation deferred to next round
- ✓ Discount on first/next valuation
- ✓ Faster and cheaper execution

#### Convertible loan example:

- Several investors invest CHF 800k with a convertible loan with 20% discount
- The valuation at next financing round is CHF 10.- per share
- The investors can convert their loan at a price of 8.- per share (20% discount) and receive in total 100'000 shares.

*Too many convertible loans can lead to tax risks (10/20 rule)!*

# Cap table

## The cap table is the basis for all financing and exit scenarios

### Why a good cap table matters?

- Provides a clear basis for decision-making during fundraising and exits.
- Helps founders and investors understand ownership and dilution.

	Foundation	Seed A	Option Exercise prior Seed B <sup>1)</sup>	Seed B
<b>Closing Date</b> (Registry at Trade Register)		<b>11.12.20</b>	<b>1Q 2021</b>	<b>10.11.21</b>
<b>Valuation pre-money</b> (fully diluted, in CHF)		6'555'000		11'850'000
<b>Valuation pre-money</b> (non diluted, in CHF)		5'520'000		10'533'504
<b>Shares pre-financing</b> (incl. conditional capital)		1'425'000	1'975'000	1'975'000
<b>Shares pre-financing</b> (w/o conditional capital)		1'200'000	1'700'000	1'755'584
<b>CHF/share</b>	0.10	4.60		6.00
<b>Value increase per share &amp; round</b> (in %)		53.3%		30.4%
<b>New Shares</b>	1'000'000	500'000	55'584	568'701
<b>Raised Capital</b> (in CHF)	100'000	2'300'000		3'412'206
<b>Shares post financing</b> (non-diluted)	<b>1'000'000</b>	<b>1'700'000</b>	<b>1'755'584</b>	<b>2'324'285</b>
<b>Shares post financing</b> (fully diluted)	1'000'000	1'925'000	1'975'000	2'543'701
<b>Valuation post-money</b> (fully diluted)	100'000	8'855'000		15'262'206
<b>Cumulative raised capital</b> (in CHF)	100'000	3'000'000		6'412'206

### Cap table management best practices

- Keep it centralized, clean, and current after every issuance or conversion.
- Include convertibles and option details, not just issued shares.

Group	Diluted shares	Diluted (%)	Issued shares	Issued (%)
Investors	6,093,206	93.28	5,904,864	98.33
[Redacted]	734,184	11.24	734,184	12.23
[Redacted]	505,791	7.74	505,791	8.42
[Redacted]	370,450	5.67	370,450	6.17
[Redacted]	415,035	6.35	347,771	5.79
[Redacted]	335,069	5.33	335,069	5.58
[Redacted]	260,000	3.98	260,000	4.33
[Redacted]	256,310	3.92	245,060	4.08

## Pre-Seed financing: Dilutive Funding

### Funding where investors receive shares in the company



#### **Key takeaways**

- ✓ *Track all investments in a cap table (Online tool or Excel)*
- ✓ *Avoid overcrowding your cap table*
- ✓ *Shareholder agreement with governance rules is essential*
- ✓ *With convertible loans you can avoid the valuation discussion*
- ✓ *Uncontrolled issuances of convertible loans can lead to tax risks*

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- 2 Company Setup & Pre-Seed
- 3 Seed Stage**
- 4 Series A to exit readiness
- 5 Wrap up and Q&A

### Core Objective

Professionalize financial operations and build the organizational and financial infrastructure required to raise institutional seed financing.

### Focus of the Phase

- Financial operation overview
- Scale Up finance and HR
- Employee Stock Ownership Plan (ESOP)
- Seed financing

# Financial Operation

## What you need – and what you don't need yet

	 <b>What you NEED – and why</b>	 <b>What you DON'T need yet – and why</b>	 <b>Key takeaway:</b>
<b>Accounting</b>	<ul style="list-style-type: none"> <li>▪ Weekly payment runs executed by financial service partner</li> <li>▪ Part-time CFO Services with Biotech exp</li> <li>▪ Set up compliant approval processes for invoices and payments – implement systems</li> <li>▪ Automation in expense mgmt. tool</li> <li>▪ Quarterly close process if required</li> </ul>	<ul style="list-style-type: none"> <li>▪ Full time finance personnel</li> <li>▪ Own ERP/accounting software</li> <li>▪ No IFRS Accounting</li> </ul>	Hand over <b>financial operation responsibility</b> to your external financial partner and engage in <b>part-time CFO-Services</b> , this person handles monthly close, investor reporting prep, and Data Room v1 financials as well full compliance in payroll.
<b>Financial Reporting</b>	<ul style="list-style-type: none"> <li>▪ Annual financial statements according to Swiss CO maybe Swiss GAAP FER</li> <li>▪ Implement quarterly investor and BoD reporting, if required, recommended</li> <li>▪ Prepare Data Room v1</li> <li>▪ Annual financial audit</li> </ul>	<ul style="list-style-type: none"> <li>▪ Automated BI dashboard tools (Tableau, Power BI)</li> <li>▪ No IFRS Reporting</li> </ul>	Implement <b>quarterly investor (Cash) and BoD (Runway) reporting (recommended)</b> and prepare your <b>Data Room v1</b> , audits will take place – let the external finance partner take care of it.
<b>Financial Planning</b>	<ul style="list-style-type: none"> <li>▪ Build financial model 24–36 month, scientific milestone-driven, fundraising aligned</li> <li>▪ Monthly update of budget vs. forecast vs. actuals</li> <li>▪ Track Contingent Liability monthly</li> <li>▪ Treasury management discussions</li> <li>▪ Yearly budget process with BoD</li> <li>▪ Get support from CFO-Service partner in tracking and reporting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Revenue forecasting or commercial modeling</li> <li>▪ Discounted cash flow or rNPV models</li> <li>▪ Complex scenario trees with probability weights on every R&amp;D outcome</li> </ul>	Build a <b>scientific milestone-driven 36-month model</b> with a clear headcount plan and R&D cost breakdown. Your financial model is not just a planning tool — it is an important storytelling instrument for the Seed round. Use-of-funds narrative is important.

# Scale Up Finance with Part-time CFO

## Your financial partner without the headcount

### What a part-time CFO can take care of

#### Financial reporting & board prep

Quarterly management accounts, burn and runway statistics, financial board presentation pack. Investors expect quarterly reporting from Seed onwards — this is what delivers it.

#### Budget ownership & forecasting

Owns the rolling 24-36-month forecast. Updates monthly actuals, flags variances, and presents revised runway to the CEO and board. Not a once-a-year exercise.

#### Cap table and financing transactions

Prepares financial inputs for term sheet negotiations, models dilution scenarios, coordinates with legal counsel on transaction documentation and closing mechanics.

#### Investor Q&A and due diligence support

First point of contact for financial questions from VCs. Prepares financial exhibits for the data room, models responses to investor queries, manages the financial section of due diligence.

#### Grant management & compliance

Tracks grant tranches, manages reporting obligations to Innosuisse and cantonal bodies, ensures milestone-linked disbursements are received on schedule.

#### Systems and process setup and compliance

Ensures bookkeeping, expense management, and payroll systems are fit for audit. Bridges between accounting (compliance) and the board (strategy). Implements approval processes and ensures compliance in financial operation.

#### Insurance (Business and Social) Mgmt

Organizes and manages the insurance setup of the company. What insurances are needed and negotiate them regularly. Handles insurance inquiries also related to payroll cases.

#### Treasury management

Excess cash can be put to work for your startup. Ensures this is inline with the investor agreements, only applicable instruments are selected and revisited regularly.

#### Financial Audits

Takes care of the annual financial audit, organizing and provide the auditors with accounting documents and financial statements in audit-ready quality.

# Scale Up Human Resources

## The legal and financial obligations start before the first working day.

### Before your hire...

- **Employment contract** — written, signed before day one. Defines role, salary, notice periods, IP assignment, and confidentiality.  
> *Talk to your external law firm for employment contract templates*
- **AHV/IV/EO registration** — register with the cantonal AHV authority before the first salary payment. Missing this creates penalty interest.  
> *Talk to your external finance partner*
- **Accident insurance (UVG)** — mandatory from day one. Occupational and non-occupational coverage. Must be in place before any lab work begins.  
> *SUVA could apply, talk to your insurance provider or part-time CFO*
- **Pension fund (BVG)** — mandatory for employees earning above CHF 22k/year. Choose a pension fund and register before first payroll.  
> *Pension funds can be personalized, talk to your part-time CFO*
- **Work permit verification** — for non-EU/EFTA employees, obtain the work permit before the employment contract is signed, not after.  
> *Work permits are crucial to mitigate risks, talk to your part-time CFO or legal counsel*

### Monthly payroll – what it covers

- Gross salary + employer AHV/IV/EO contributions (~10.6% on top of gross)
- BVG pension fund contribution (employer share, typically 50–60%)
- UVG accident insurance premium (employer-funded for occupational; split for non-occupational)
- Salary certificates issued annually — required for employee tax filings

### Recommendations

- Include your financial service partner who handles payroll accounting in future hirings decisions and HR strategy
- Renegotiate/revisit the insurance policies yearly
- Talk regularly with recruitment agencies with Biotech expertise and network about possible HR needs – more important in Series A

## Pitfalls in Seed Stage

### Common mistakes

#### 1 Admin overhead, high admin system costs

Implementation of too many and costly IT systems for admin management, keep it still on a necessary basis and use your outsourced infrastructure until Series A is secured.

#### 2 Underestimating cash-out timing lag

CRO contracts are signed, but invoices arrive on milestones that slip. Founders carry false confidence in runway because committed spend hasn't yet left the account.

#### 3 Cap table not kept current

Convertibles, option grants, and side letters not reflected in real time. A cap table error discovered during DD triggers legal costs and erodes investor confidence.

#### 4 Not tracking the contingent liability in the budget and forget fundraising time

Getting surprised by budget constraints or sudden cash shortages is not an option. Know your contingent liability and your runway at any time, include the time for fundraising in the budget.

#### 5 Data Room built in a fundraising rush

Financial records never organized for external scrutiny take far longer to clean than expected. Disorganized financials are a leading cause of rounds taking longer to close.

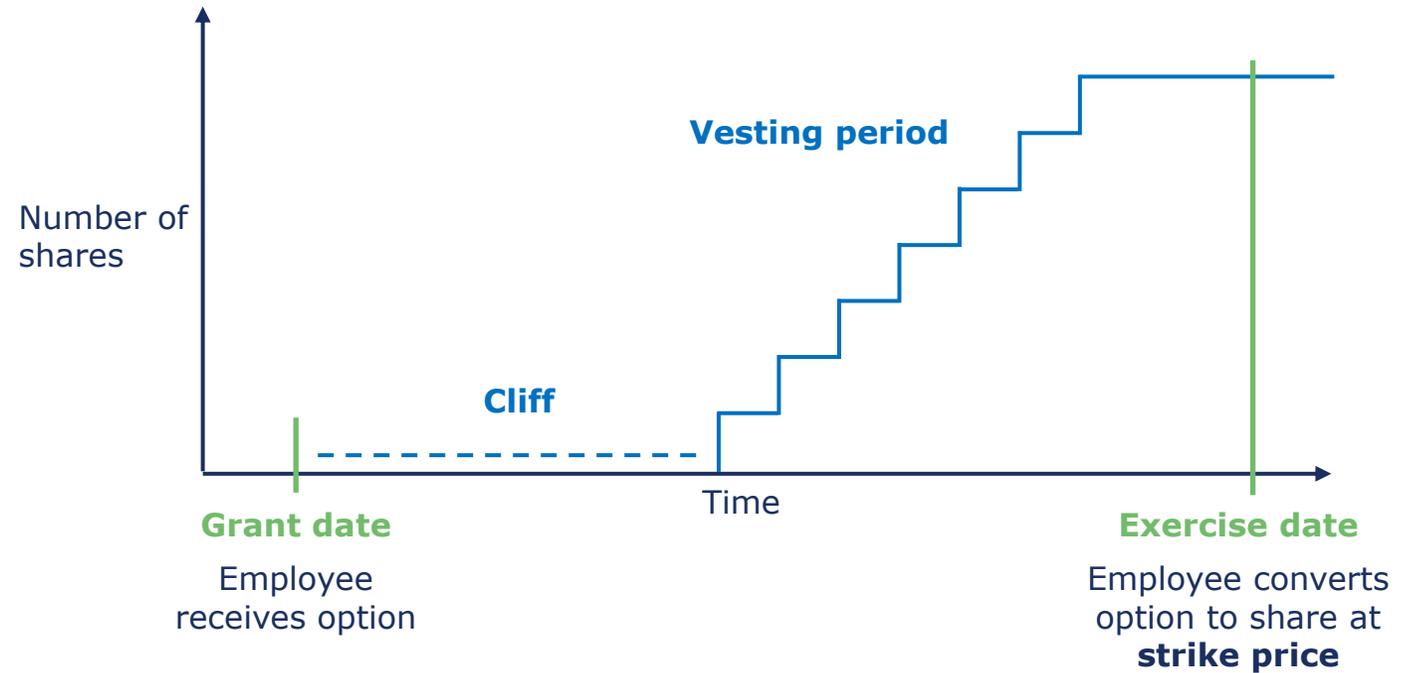
#### 6 Underestimate the importance of the financial modelling

The financial model (budget) is important especially in late seed stage for backing your storytelling with the financial planning ahead, having a solid model there will help navigate potential investor questions and demonstrate your overall readiness for Series A.

# Employee Stock Option Plan (ESOP)

## Talent attraction and retention without higher cash burn

- What is an ESOP?
- How does an option work?



## Employee Stock Option Plan (ESOP)

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### The personal tax impact of option exercise is often underestimated

#### What is the tax consideration for Switzerland based employees?

- Taxation at exercise date (income tax)
- Taxable amount = Fair market value (often tax value) minus strike price (Geldwerter Vorteil)
- This amount is also subject to social security contributions
- **BUT** Capital gain is tax free (after a 5-year blocking period starting from exercise date)

## Subsidies in Basel

Up to 28% total subsidy on qualifying personnel costs and 50% rent subsidy



Basel based start-up

&

Fulfilment of certain requirements



### R&D Funding



- **Up to 25%** subsidy for R&D personnel costs
- Additional 3% incentive for patent-related R&D activities
- **Up to 28% total subsidy** on qualifying personnel costs
- Significant reduction of **development-phase operating expenses**

### Rent incentives



- **50% rent subsidy** for Basel-Stadt-based companies
- **Capped at CHF 30k per year**
- Improves **capital efficiency**, especially in early stages
- Applicable to eligible office and laboratory space

## Seed financing

### Valuation and ownership basics in seed financing

- How is the valuation determined?
- What is the difference between pre-money vs. post-money valuation?
- What means undiluted, diluted and fully diluted ownership?



## Seed financing

### What should be the founders share?

Example of founders' dilution:

	Founding	Pre-Seed	Seed	Series A to C
Founders share	100%	75-90%	50-75%	5-50%

Can dilution be avoided by generating alternative revenue streams?



**Key takeaways**

- ✓ *Overvaluation at Seed can kill future financing*
- ✓ *Underpricing can overly dilute founders*
- ✓ *Focus on your core expertise*

# Agenda

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- 2 Company Setup & Pre-Seed
- 3 Seed Stage
- 4 Series A to exit readiness**
- 5 Wrap up and Q&A

### Core Objective

Scale the company's financial and organizational infrastructure to institutional standards and prepare the company for large-scale venture financing and clinical development.

### Focus of the phase

- Financial operation overview
- External vs. Internal CFO and financial team
- Prepare for due diligence and Series A financing

# Financial Operation

## What you need — and what you don't need yet

	 <b>What you NEED – and why</b>	 <b>What you DON'T need yet – and why</b>	 <b>Key takeaway:</b>
<b>Accounting</b>	<ul style="list-style-type: none"> <li>Transition to IFRS Accounting</li> <li>Own ERP/Accounting software</li> <li>Financial controller and accounting personnel – supported by part-time</li> <li>Formal finance process controls</li> <li>Formal accounting policy document (approved by auditors and Board).</li> </ul>	<ul style="list-style-type: none"> <li>Large internal finance department</li> <li>Complex treasury management infrastructure</li> <li>US GAAP adoption (unless specifically targeting NASDAQ listing or US-domiciled investors requiring this).</li> </ul>	<p>The Series A is the moment to transition to Swiss GAAP FER or IFRS, upgrade to an <b>own accounting system</b>, and bring <b>accounting to institutional grade</b>.</p>
<b>Financial Reporting</b>	<ul style="list-style-type: none"> <li>Full-time CFO with track record and align with Strategy</li> <li>Prepare IFRS compliant financial statements — often required contractually in shareholders' agreement</li> <li>Monthly reporting package for the Board: P&amp;L vs. budget, balance sheet, cash flow statement, KPI dashboard</li> <li>Annual financial audit</li> </ul>	<ul style="list-style-type: none"> <li>IPO-ready financial reporting from day one</li> <li>US SEC-style registration statements — only relevant for US IPO path.</li> </ul>	<p>At Series A, financial reporting is no longer a best-practice — it is a <b>contractual obligation to your investors</b>. Implement monthly Board reporting, quarterly investor updates, and IFRS/Swiss GAAP FER compliant annual statements with audit opinion</p>
<b>Financial Planning</b>	<ul style="list-style-type: none"> <li>Build a detailed 5-year integrated financial model: P&amp;L, Balance Sheet, Cash Flow — with clinical milestone triggers and go/no-go decision points</li> <li>Stress-test scenarios</li> <li>Simulate cap-table scenarios (exit)</li> </ul>	<ul style="list-style-type: none"> <li>Automated reforecasting tools — standard spreadsheet models with strong assumptions are more credible</li> </ul>	<p>Build a 5-year integrated financial model with clinical milestones, Board-approved budgets, and a clear use-of-funds narrative. Institutional VCs are sophisticated financial partners — your model must match their expectations.</p>

## External vs. Internal CFO and financial team

The legal and financial obligations start before the first working day.

### Keep part-time CFO when...

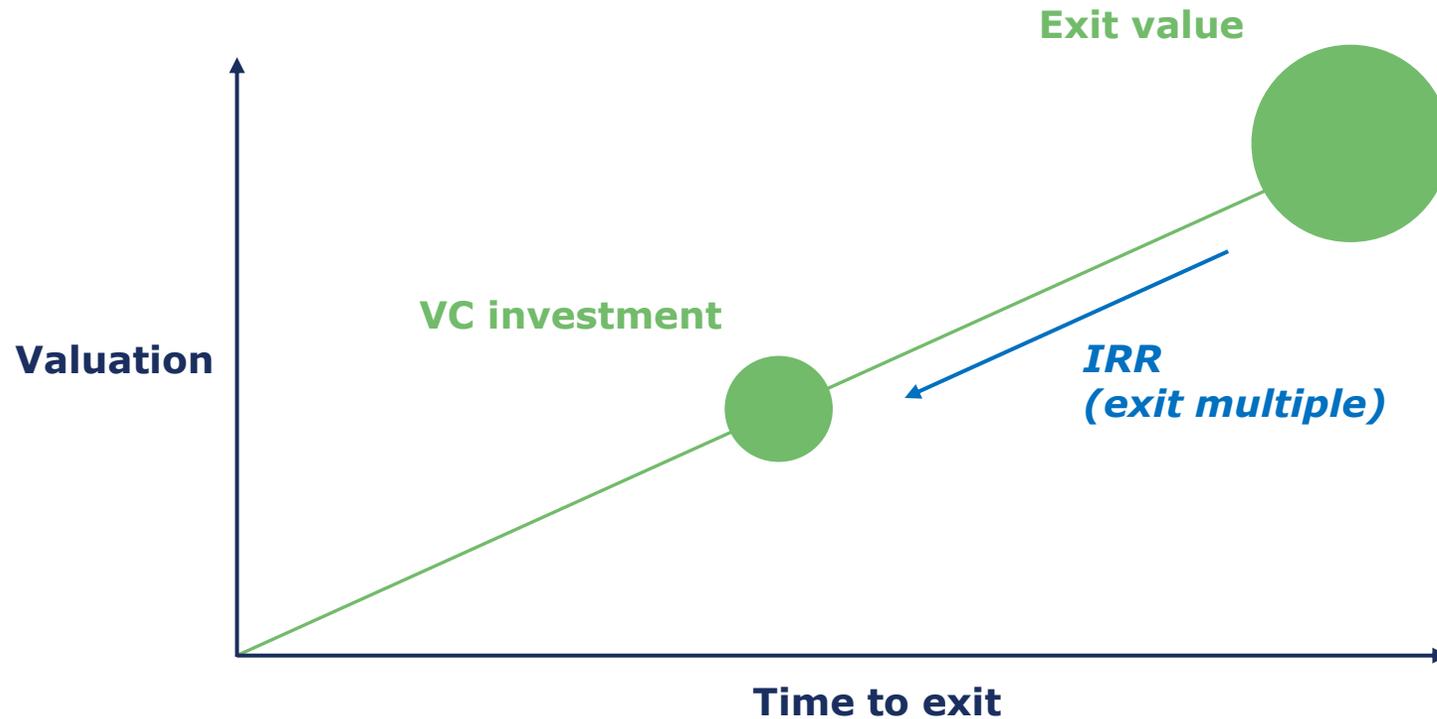
- **Pre-Series A close** — outsourced CFO manages the financial due diligence process. You don't need a full-time hire to close the round.
- **<40 employees** — payroll, expense management, and reporting are manageable on a part-time basis.
- **Monthly reporting only** — investors want monthly accounts but are not yet requiring weekly forecasting or daily cash monitoring.
- **No revenue or partnerships** — no invoicing, no complex revenue recognition, no milestone payment modelling for incoming cash.

### Hire a full-time CFO when...

- **Series A closed** — a VC board member will expect a real CFO in the room. The outsourced model loses credibility at board level post-Series A.
- **40+ employees** — payroll complexity, benefit structures, and equity administration justify dedicated headcount.
- **Licensing or partnership revenue** — milestone payments, royalty recognition, and partnership P&L require continuous financial management.
- **Preparing for Series B or IPO or trade sale** — institutional investors at Series B and beyond require a CFO who can be in weekly investor calls and manage a complex reporting calendar. And has the expertise and experience of the intended transaction.

## Negotiations with VCs

### How does a VC value your company?



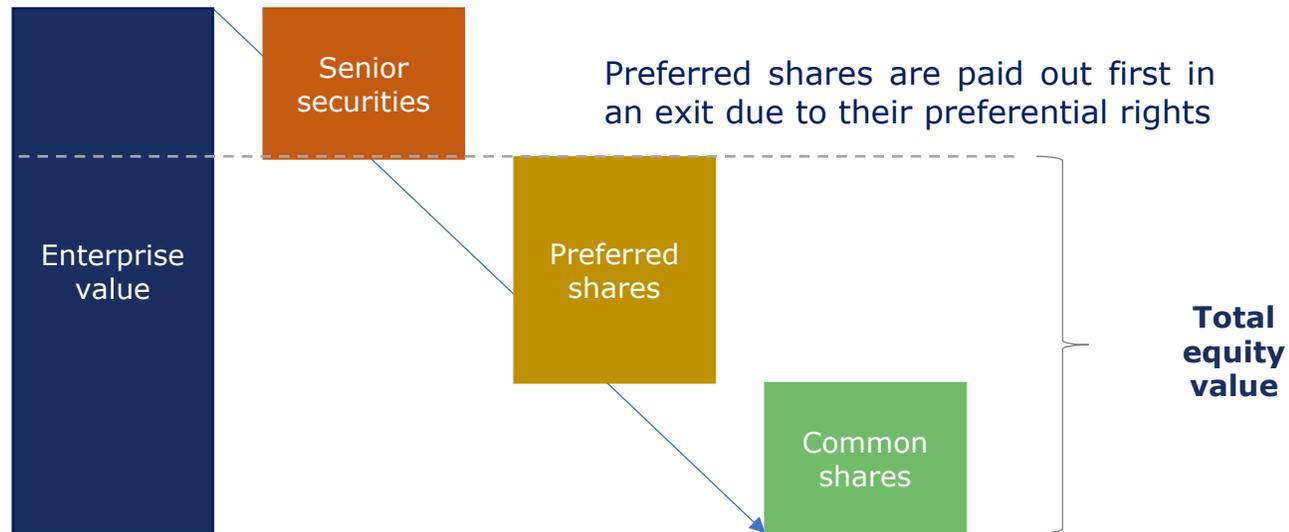
#### Simple approach

1. (Conservative) exit value estimation
2. Discount to post money valuation with high IRR to reflect risk
3. Deduct investment need to get pre money valuation

## Negotiations with VCs

### Preferred shares are worth more than common shares!

#### Waterfall payout



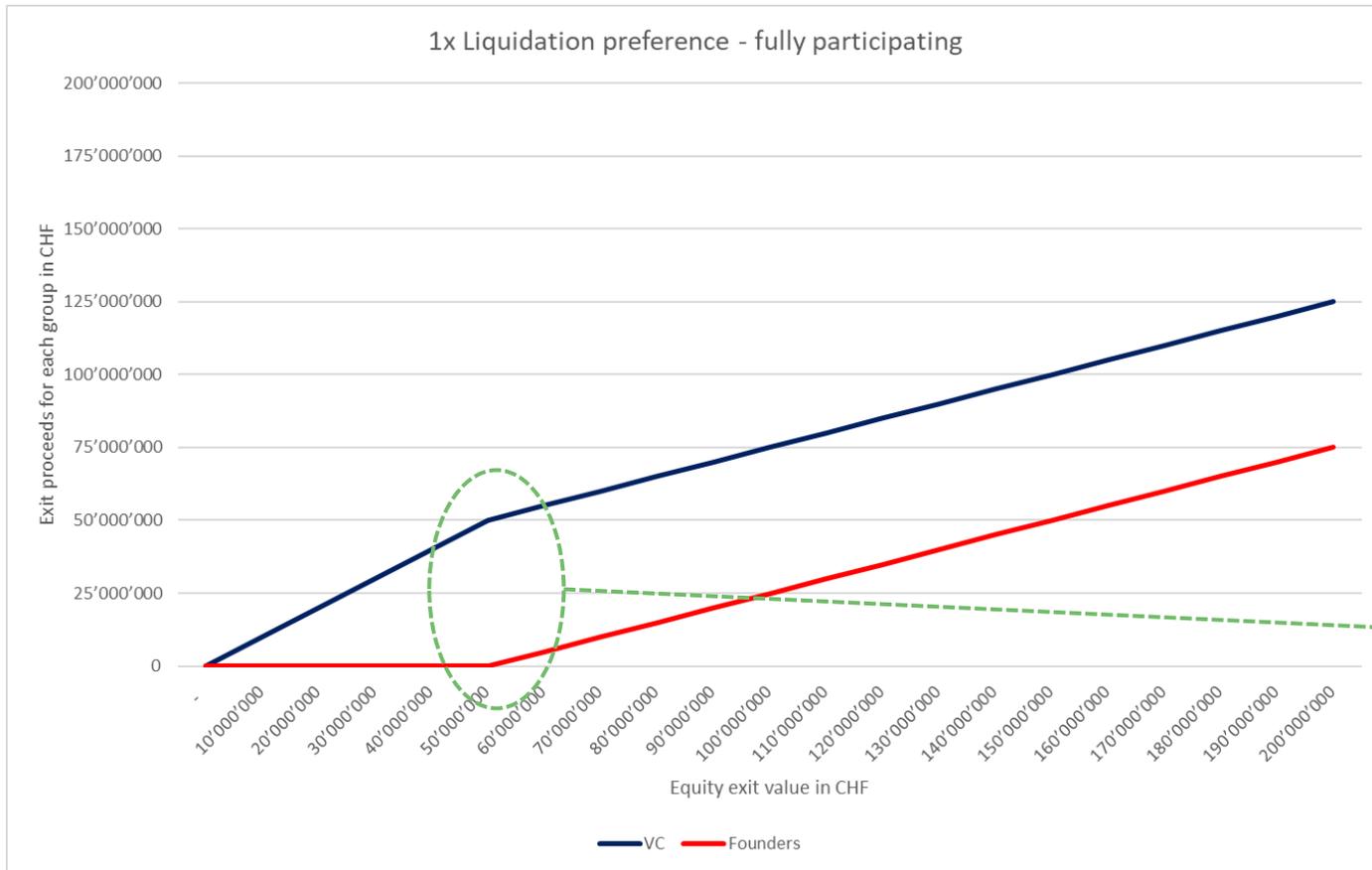
#### Types of preferred shares

- Fully participating preferred shares
- Non-participating preferred shares
- Preferred shares with a cap

# Negotiations with VCs

## How fully participating preferred shares work

### Example: Initial investment 50 MCHF, 1x liquidation preference



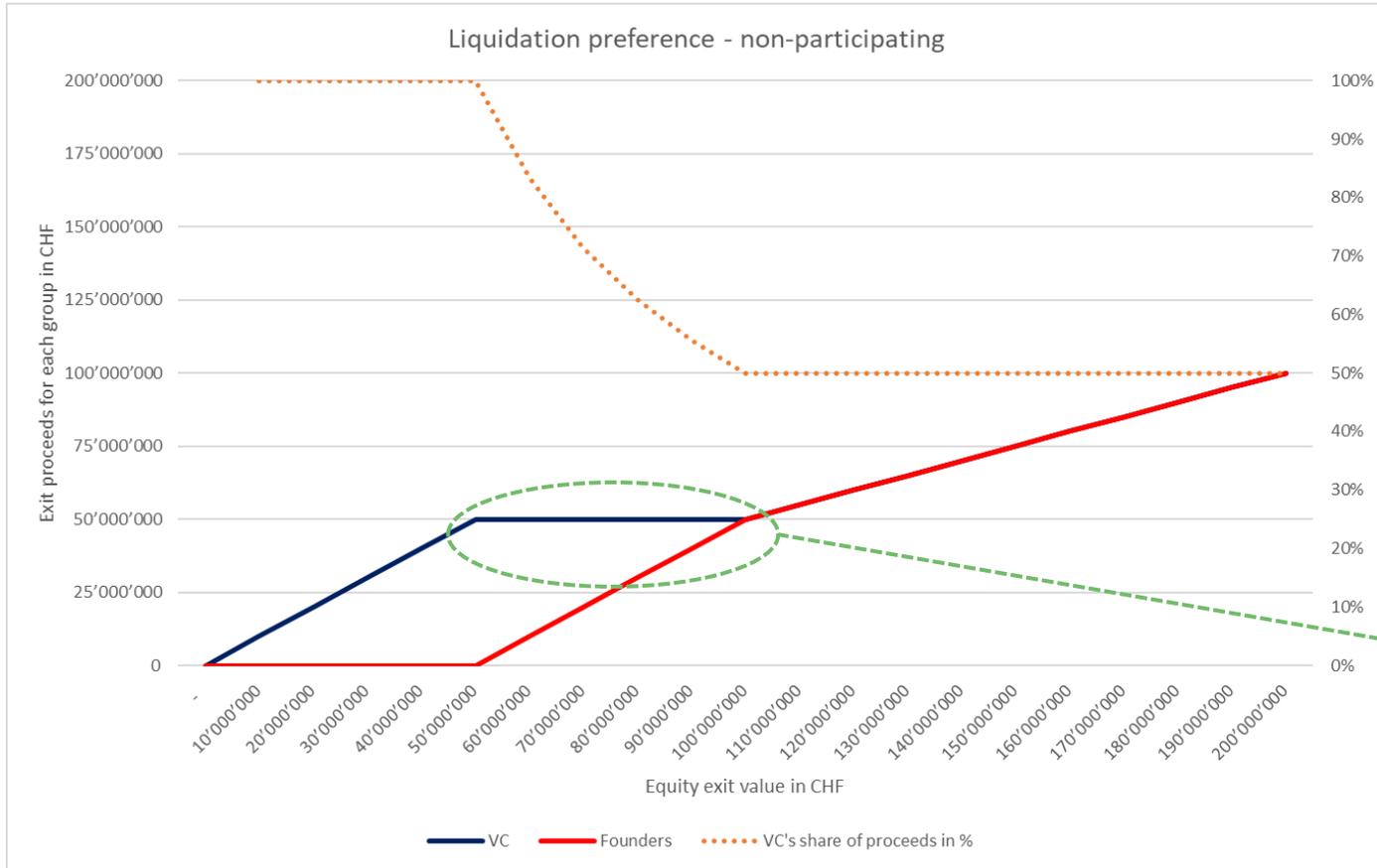
- Investor receives first his full investment amount back
- Then participates pro-rata in remaining proceeds

**“Double-dip” effect:**  
The investor benefits from both his liquidation preference and his participation and founders only start participating after the proceeds exceed the liquidation preference.

# Negotiations with VCs

## How non-participating preferred shares work

### Example: Initial investment 50 MCHF, 1x liquidation preference; no participation



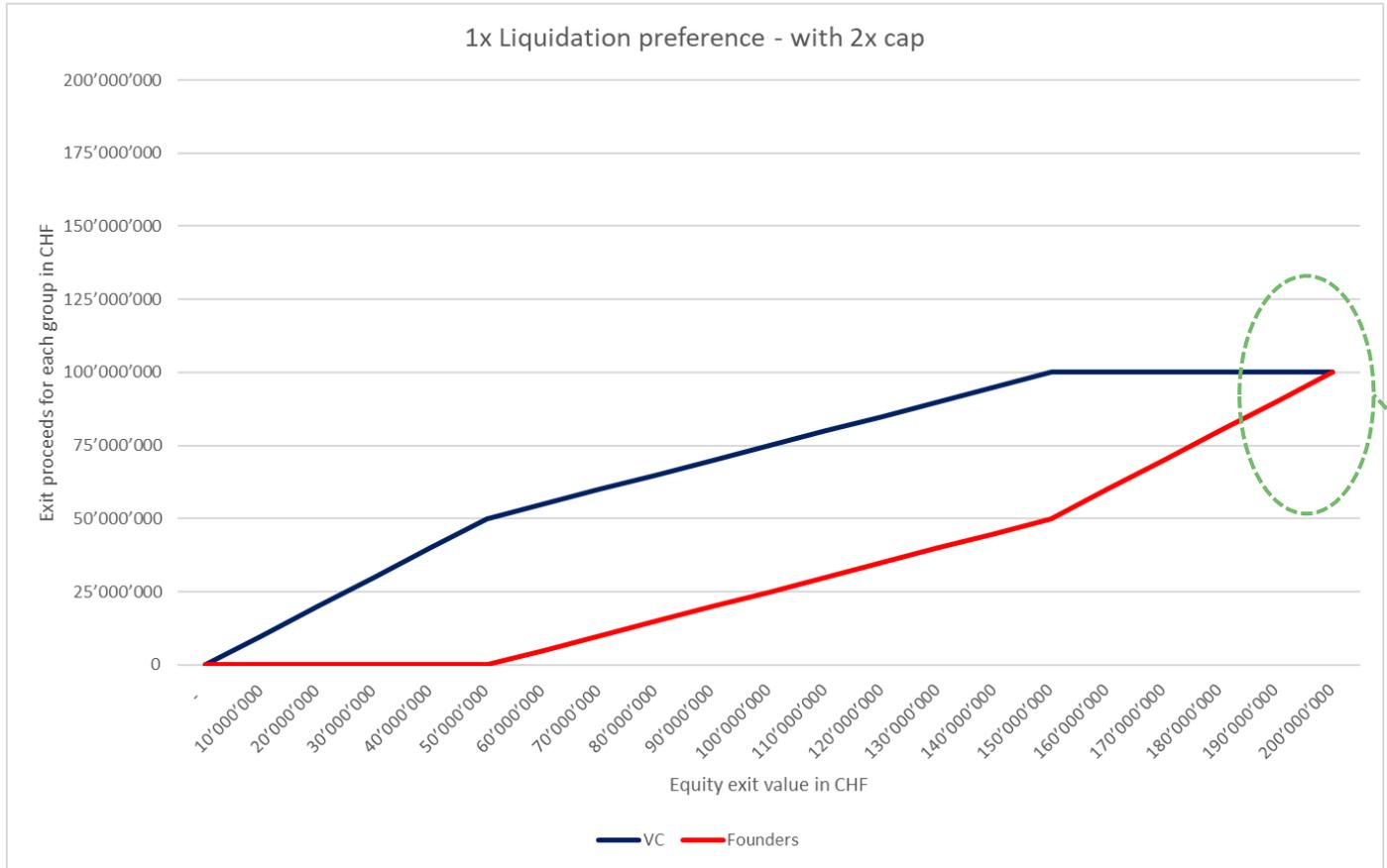
- Investor must choose between his liquidation preference or converting into common shares
- He has no "double-dip" effect as in fully participating structures

**“Zone of indifference” / “dead zone”:**  
 A range of exit values for which the preferred shareholders receive the same return independent of an increase in exit value.  
*Note: “double-dip” effect is eliminated*

# Negotiations with VCs

## How participating with cap preferred shares work

### Example: Initial investment 50 MCHF, 1x liquidation preference; 2x cap

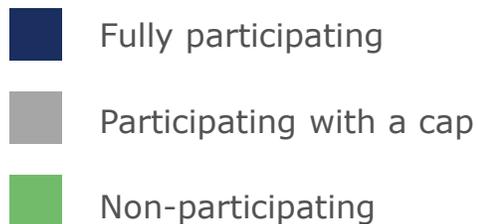
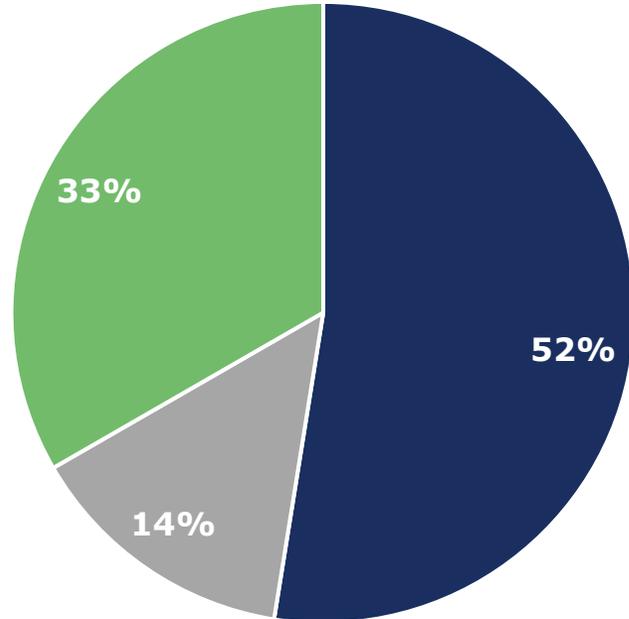


- Mix of participating and non-participating
- Investor's return is capped at e.g. at 2x invested capital
- Option to convert to common shares if more beneficial

**Conversion point:**  
Investors are better off converting their preferred share into common shares

## Negotiations with VCs

### The use of preferred shares in Switzerland



#### Analysis based on 300 life sciences start-ups

- Fully participating is the most common structure
- The majority with accruing dividends, increasing their liquidation preference
- Median yearly dividend of 7.5% of invested capital

## Negotiations with VCs

Well-structured financing aligns founders and investors around a shared goal: a successful exit



### **Key takeaways**

- ✓ *Do not only negotiated pre money valuation but also preferential rights*
- ✓ *Understand the different preferential rights*
- ✓ *Know what market standard is*
- ✓ *Only a well-balanced term sheet aligns incentives between founders and investors*

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