

# An inch of time is an inch of gold for Chinese companies eyeing Western drugs

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## 机会在有限的时间内诞生，也在有限的时间内泯灭 一寸光阴一寸金，寸金难买寸光阴

*Opportunities only appear and last for a limited time – an inch of time is worth an inch of gold*

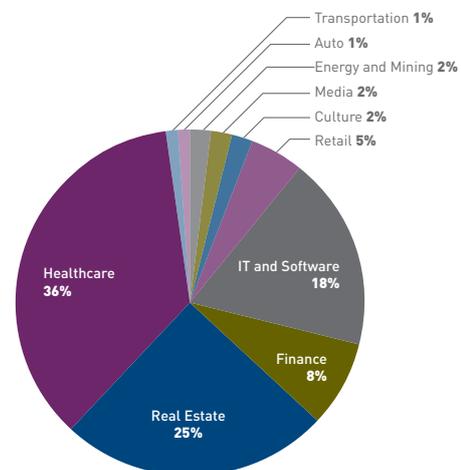
An inch of time is worth an inch of gold right now for Chinese biotechnology companies looking to purchase or license Western drugs. While China is rolling in cash, the number of Western firms investing in biotechnology assets continues to consolidate in the wake of the Western financial crisis. China's government has defined the healthcare and pharmaceutical industry as a "strategic goal" and committed \$500 Billion in public investment over the next ten years. Most Chinese drug companies now only operate on a local level in the Chinese market, manufacturing generic drugs. Therefore, strategic thinking about innovation and globalization is crucial.

*"We see dramatic growth trends of international acquisition from Chinese companies. Actually, much of our fund raising efforts are supporting such cross-border transactions."*

**Kang Jian, Executive Director, CITIC Group, China**

Indeed, biotechnology assets developed in the US are now finding their home in China: Ascletris Inc (Research Triangle Park, NC, USA) raised \$100MM for its oncology and infectious disease pipeline in 2011; BeiGene Ltd (Beijing, China) in-licensed two clinical state oncology compounds from Johnson and Johnson in 2011; and, Cumberland Pharma (Nashville, TE, USA) out-licensed the rights for two drugs to Harbin Gloria Pharmaceuticals Co., Ltd. (Harbin, China) in March of 2012. The current window of time for China to develop innovative drugs for global markets is now – and this inch of time is worth gold.

Chinese companies interested in biotechnology will soon run into the same problem that has



**Figure 1.** Fierce competition in Chinese healthcare investment<sup>1</sup>

With healthcare as a strategic priority in China, biotechnology companies and investment firms better hope to be on the side of the smart money before deals run out.

caused the slow-down in biotech investing in the West: there are only so many good deals out there in the high-risk, high-reward world of biotechnology. At the current pace of Chinese investment into healthcare (36% of all private equity investments this year-to-date went towards the healthcare sector according to ChinaVenture, Figure 1), promising assets will go quickly. Chinese companies know that “the majority of the value is coming from the rest of the world” to quote the CEO of BeiGene, who spoke at JP Morgan’s Healthcare Conference in January, 2012. The question remains, who will garner the intelligence to find the value and become the smart money?

*“An important lesson I have learned is that it is not enough to just copy what you do in the Western countries and move the same programs to Asia.”*

**RuiPing Dong, Head of Emerging Markets R&D, Merck&Co**

Partnering with the right external advisor to help identify and integrate Western assets, ripe for the Chinese biotechnology market’s ambition, is imperative. For those Chinese firms or companies who have plenty of cash on hand, but wait to develop an actionable strategy, their inch of gold will not buy back this precious inch of time.

*“The majority of the value is coming from the rest of the world.”*

**CEO, BeiGene, China**

## References

1. ChinaVenture; year-to-date private equity investments in China by sector.