

New York Pharma Forum: China Opportunities and Dealmaking

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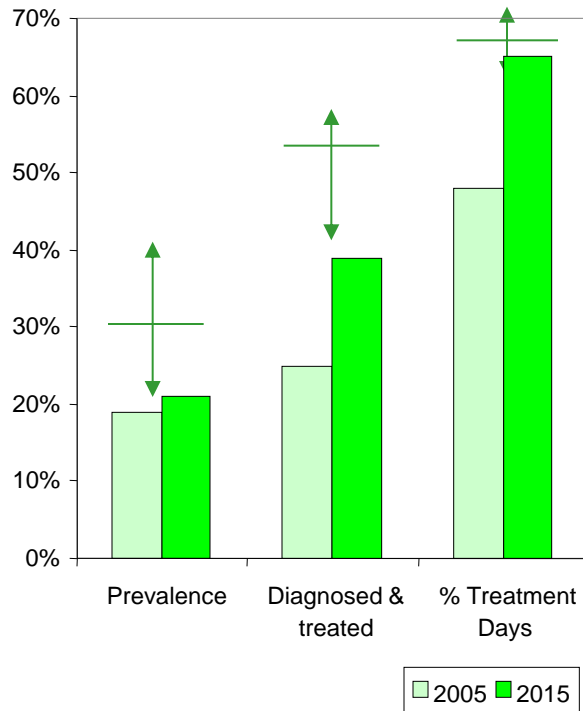
Chinese Market Characteristics Provides Fertile Ground for New Pharmaceutical Opportunities

- Large size of market: China now # 2 and will be #1 by 2020
- Changing disease patterns and epidemiology
- Growing wealth of nation – increasing desire for import drugs
- Changing health reform leading to increased number of insured people
- SFDA not strictly aligned with FDA – difference between imported and domestic drugs, manufacturing requirements, first in man limitations
- Health system rewards innovation with pricing benefits – because doctors and hospitals are paid a portion of the drugs they dispense/prescribe they too are incentivized to use the more expensive drugs
- IP reform has improved IP standards to global level; at the same time lack of IP for a program does not limit its potential interest as a licensing candidate because 7 year market exclusivity
- Ample capital from government as well as access to capital from attractive public markets

Trends in Chinese Disease Prevalence.....

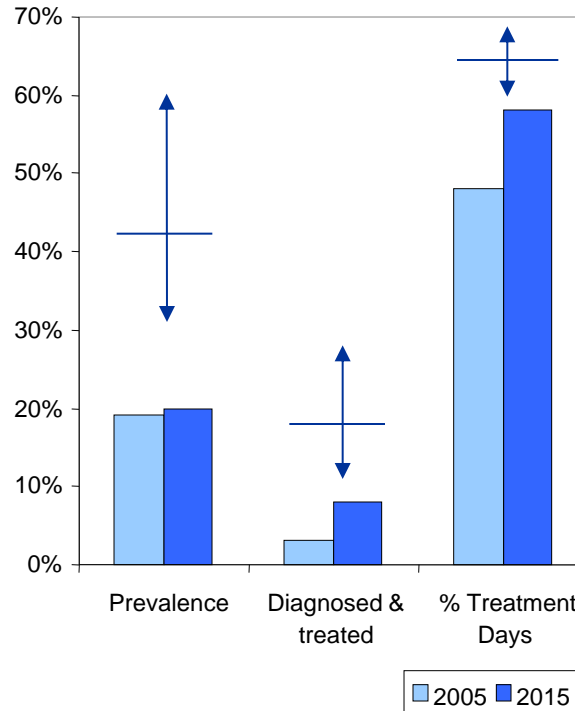
HTN

Patient pool will be as large as US population



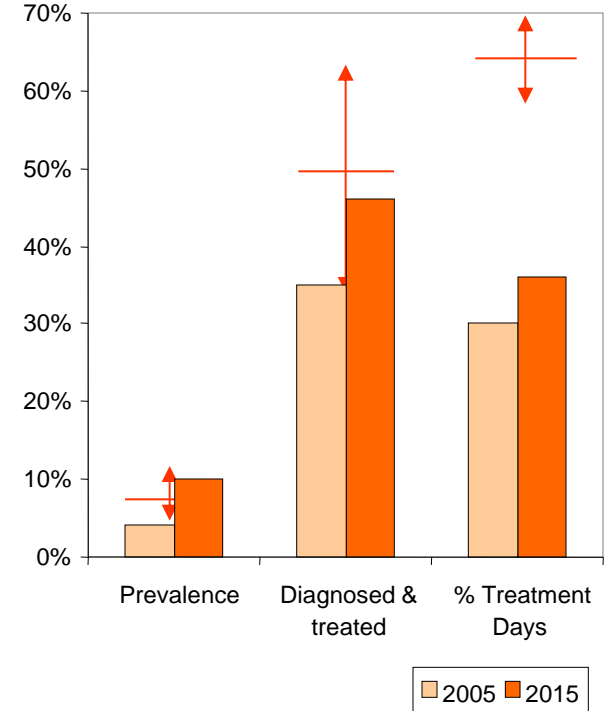
Dyslipidemia

Strong growth as diagnosis and treatment increases



Diabetes Type II

Growth driven by increasing affluence



↕ Projected EU top 5, Japan & US range with 2010 av.

.....With Possibility for New Pharmaceutical Value Proposition



High prevalence
Chinese diseases



Global prevalence
Diseases for which
There is some
Unique aspect
To the Chinese
Form of diseases



Drugs designed
To suit Regional
preferences



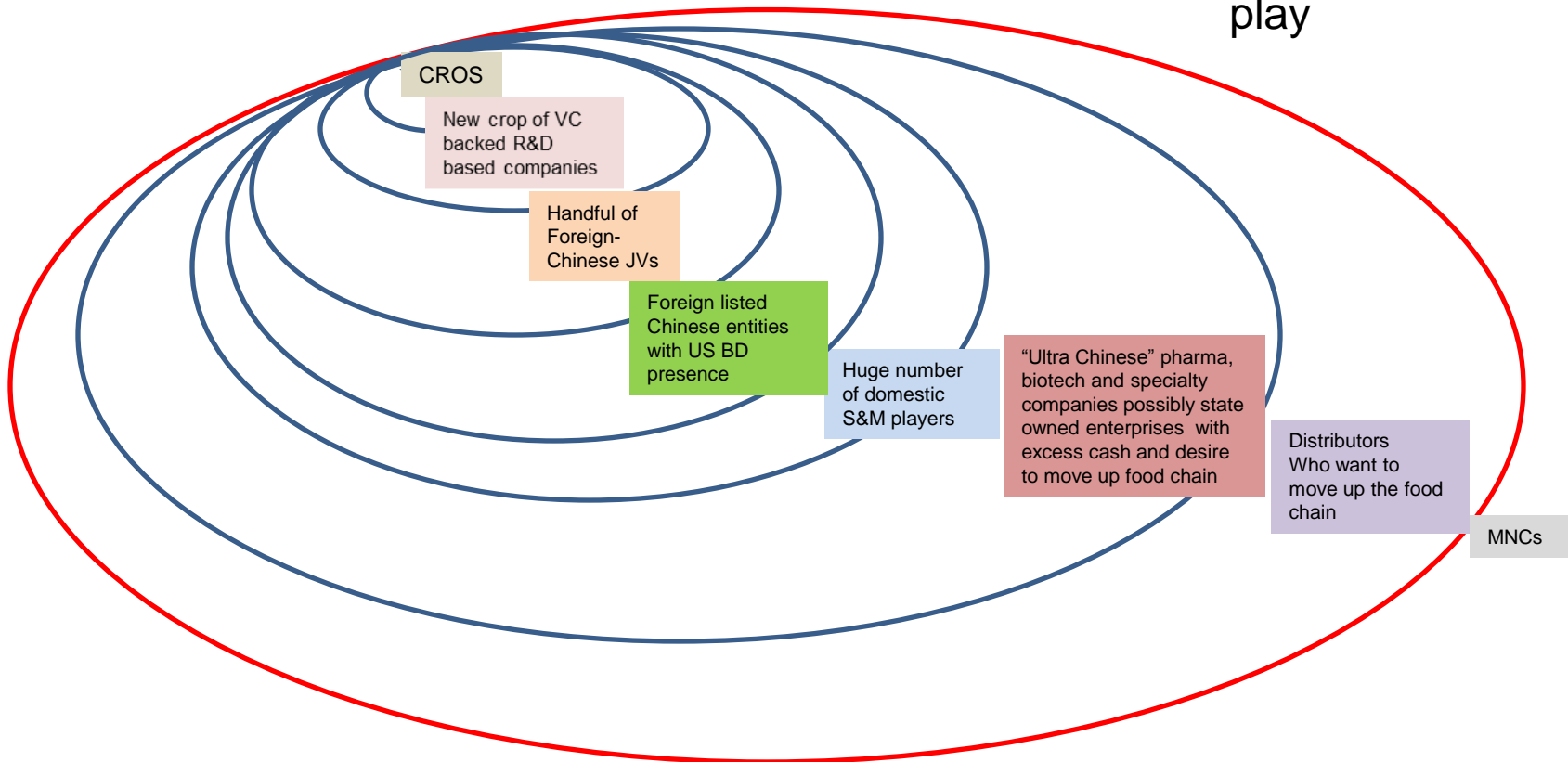
Drugs delivered,
marketed or sold
To suit Regional
preferences

Background Chinese Pharma

- Landscape dominated by Chinese companies with large capital reserves with manufacturing base that sell generics and branded generics; these companies generally lack significant internal R&D and have basic clinical/regulatory to prosecute non-innovative drugs; with a handful of exceptions are insular and lack business development capabilities to access new products
- Breakout companies who are investing in R&D and developing innovative drugs either through their own labs or through active BD efforts: HMP, Hengrui, Simcere, 3Sbio, Chipscreen
- Existence of hundreds of small sales/marketing companies that lack significant scale
- State owned distributors looking to forward integrate
- MNCs with growing presence in China
- CROS that have for the time being stayed in their boxes

Landscape of Chinese Pharma

Select the “Ring”
Where you want to play



Changing Opportunity Space and New Entrants

Past 10 years

- CROs and serviced based businesses based on low cost advantages: Wuxi, Shangpharma, etc.
- First in class new innovators: HMP

Current

- In-licensing based companies leveraging clinical development advantages: early activities already with Hua, Aslan
- Fully integrated R&D based company leveraging availability of large number of scientific talent and government grants: Beigene
- Carrying over key specialty products from west into Chinese market: Ascendancy Healthcare
- Other innovative models: Kadmon

Future

- Increasing relationship with domestic companies
- Focus on regional drug development strategies
- China to Global

Opportunities for Dealmaking

- MNC pharmas looking to increase footprint in China and so are attempting many strategies to both build R&D as well as increase franchise strength in country through global and regional efforts
- Western and non-Chinese Asian specialty pharmas looking to access new markets and expand commercial opportunity so are looking for Chinese partners
- Western and non-Chinese Asian biotechs looking for expanded market opportunity and cost/capital – especially fertile with funding gaps in the US/Europe and will provide flow of innovative assets to China
- Groups transplanting to China to build innovation driven companies



- Chinese domiciled companies seek to access new pipeline and innovation

Relevant Factors To Consider

- Business development is not a formalized process; standards and acceptance of western style deal terms that include up front, milestone and royalty structure not there yet
- Question of local vs global rights in partnering transactions and what organizations are ready for
- Tradeoff in capital return – funding innovation still lags other investment opportunities and limits growth of innovator small newcos
- Management talent – sea turtles bring talent but still gaps
- Need for SFDA to continue to harmonize and enable progress
- Access to capital markets and Chinese RMB provide a draw

Other Opportunities outside Pharma to Watch

