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KEEPING THE FAITH?

David Segarnick, Ph.D., the head of BERYL Pharma360, heralds an exciting start to the year for Chinese Pharmaceutical and Biotech firms. The April report echoes the March report and explains further implications as well as growth drivers for this increasingly important sector.

THE RISE OF CHINA PHARMA & FOREIGN PARTNERSHIPS

KEY FINDINGS

- Chinese pharmaceutical industry is transforming from a large number of fragmented local or regional generic drug manufacturers into a more consolidated group of companies with international ambitions. This is fueling a trend in commercialization of novel hi-tech drug candidates.
- China's long-term investment in science and math education is beginning to pay dividends: China has more than 500 universities that graduate over 150,000 life science students each year that help staff 200 life science "incubators" and 100 life science parks across China.
- China spends less than 5 percent of GDP on healthcare, compared to two to three times that level in Western countries.
- As part of the 12th Five-Year Plan for Science and Technology, China is investing heavily in healthcare reform with the objective of covering all of the population in the next few years. This sets the stage for major increases in domestic demand.
- The Chinese government is the largest buyer of drugs and devices due to the introduction of the Essential Drug List (EDL), National Reimbursed Drug List (NRDL), and Basic Medical Insurance (BMI) policies.
- Government pressure on prices is projected to increase along with price-depressing tenders required for multinational pharmaceutical company entry to market.

KEY FINDINGS, cont.

- Chinese pharmaceutical companies have already partnered with western multinational pharmaceutical giants with more than 60 co-development deals in 2011 (see chart below).
- Some deals are valued in excess of US\$100 million, such as the Hutchinson MediPharma western expansion deal with AstraZeneca.
- Other Chinese pharmaceutical companies that have struck deals to bring novel drug candidates and diagnostic technology to a global market include

BeiGene, Hua Medicine, Ascleris, and Beijing TCT Medical Technology.

- At the same time, as discussed in our March 2012 Newsletter, consensus opinion is that the greatest and continuing threat in 2012 and beyond for Chinese pharmaceutical companies is downward pressure on domestic as well as international growth caused by the fragmented nature of the Chinese pharmaceutical market and increasing government price controls and regulations.

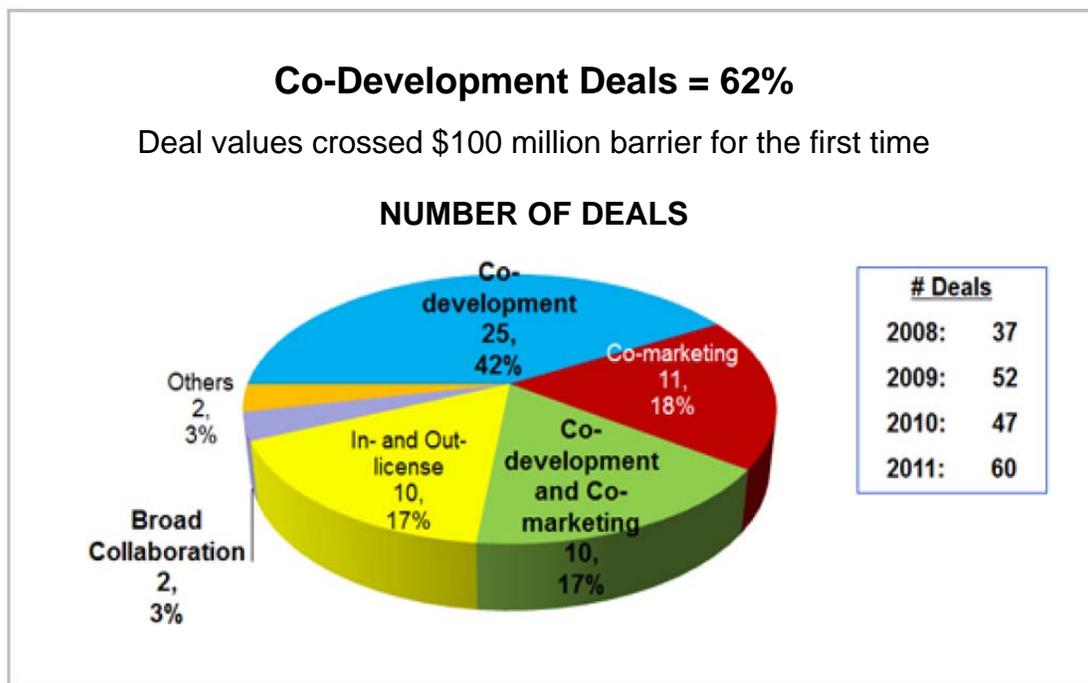


Figure 1. Partnering deals set new record in 2011 (Source: ChinaBio)

STRATEGIC IMPLICATIONS AND GROWTH DRIVERS

- A major obstacle in China pharmaceutical / biotech expansion beyond its borders is a lack of understanding or experience in western healthcare product development and marketing as well as a lack of awareness of the competitive landscape in the EU and the US.
- We believe it is critical for China pharmaceutical and biotech to fully understand the competitive therapeutic landscape, competitive drug pipelines and relative valuations in foreign markets prior to engaging in negotiations with large multinational pharmaceutical companies and in striking international partnering and co-development deals.
- In our experience, this is best achieved via a rigorous, evidence-based analysis of the latest competitive data presented at the major international medical congresses and evaluation of key peer-reviewed publications in order to fully appraise new product asset value.

SUMMARY: BERYL Pharma360 is uniquely suited to empower Chinese pharmaceutical and biotech companies as they face negotiations with foreign entities on their path towards partnering and co-development deals. Pharma360 can provide competitive intelligence and projected valuation of new product assets underlying these deals that will help unlock true values and international potential of Chinese pharmaceutical firms.

ABOUT BERYL PHARMA360

Beryl's independent hedge fund research and advisory services are natural adjuncts to Beryl Pharma360 pre-marketing analytics. Pharma360 provides healthcare executives with actionable competitive landscape analysis to support "go/no-go" decisions prior to seeking international partnerships for new product introductions in the US and Europe. We use state-of-the-art data collection and analysis including therapeutic landscape and competitive product intelligence, major congress data surveillance, best practices evaluation and scientific platform key message development. Pharma360 consulting services are a cost-effective and proven method to evaluate risk/benefit prior to committing to international product development and/or making partnering decisions.