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Driving Sustainable Growth in APAC Healthcare and Biopharma

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In conversation with Erning Cao, Investment Director, Evonik Venture Capital, Asia Pacific, China



A company's agile structure depends on creating a network of scientific advisors and venture partners to accelerate its innovations and potentials. To achieve this, venture capitalists assist healthcare and biopharmaceutical companies at all stages of development, be it company's early-stage designing, stimulating transformative technologies or nurturing business growth. Erning Cao, Investment Director at Evonik Venture Capital (Shanghai, China) shares insights on strategic venture capital investment towards innovative business models in APAC healthcare industry promoting sustainable and ethical practices in the region.

- **How do you define growth-driven investment strategies fostering transformative startups and technologies in major APAC markets?**

Asia is hitting a sweet spot for companies and investors alike. However, the opportunities for growth within the startup ecosystem also mean that there cannot be a one-size-fit-all investment strategy. Investors must be able to tailor their strategies across specific startups, technologies and even across countries. For example, in Southeast Asia, most ecosystems are still in the early development phase, but countries such as Singapore, Malaysia and Indonesia have already entered the next phase, given their size and rapid development. Singapore, in particular, has become a true leader in the region due to its supportive government policies and dedicated programmes contributing to the success of its startup ecosystem.

Asia holds major growth share within disruptive fields such as additive manufacturing, sustainable nutrition and healthtech solutions. Every investment is a new opportunity for collaboration and breakthroughs. Evonik Venture Capital has already executed a total of eight direct and fund investments in Asia since 2018.

- **How does Evonik evaluate market dynamics and operational growth in Asian Biomedical R&D and early-stage companies for investment allocations?**

Throughout Asia, biomedical funding is on the rise. Countries such as Japan and China continue to report high levels of growth of up to 33 per cent. Given the high levels of growth, coupled with strong commitments from various Asian governments such as Singapore to life sciences (including biomedical) research and funding, we are confident that the region's industry has tremendous potential. It is also critical to have a deep understanding of the local and regional regulatory environment, engage in research and development and focus on needs specific to that market. More importantly, startups within the space are likely to be the ones to disrupt the industry as we know it today.

At Evonik, we have focused our venture capital investments on Innovation Growth Fields, ranging from additive manufacturing, healthcare solutions, and sustainable nutrition – this includes emerging technologies spearheading biotechnology, sustainable and ethical R&D practices.

As we look ahead to 2022, we want to push the boundaries and work with global innovation leaders with disruptive technologies across MedTech, climate tech and sustainability initiatives to positively change lives. Evonik's investment strategies will continue to be anchored on three pillars – sustainability, growth and profitability, and platform technologies. Evonik will also continue to focus on its key Innovation Growth Fields spanning advanced food ingredients, cosmetic solutions, membranes, and healthcare solutions in the coming year. We are aiming at next generation or sustainable solutions accounting for at least 35 per cent of our portfolio products and investments.

- **How do you foresee the investment scenarios in APAC for sustainable life science business models while promoting ethical R&D practices?**

With Asia being a diverse region filled with distinct sets of demographics, regulatory environments and bio-pharma needs, the potential for the market here is burgeoning at an estimated size of $40.25 billion as of 2021. Furthermore, the pandemic has led to significant trends within the bio-pharma market – for example, entrepreneurs are shifting R&D focus to develop and commercialise new technologies that can address health challenges faced in the industry. In recent years, we are seeing an increasing number of corporations place a stronger focus on sustainability and ethical R&D practices within the industry.

Consumers are also becoming more vocal in their preferences. For example, more than 40 countries including Australia and India have passed laws to limit or ban animal testing. The European Union has banned such testing since 2004. These regulations have led to the rise of startups and corporations investing in next-generation technologies for sustainable and ethical R&D practices – such as alternative to animal testing methods within pharmaceutical and chemicals industries.

Evonik recognises these evolving preferences, and strongly believes in the need to invest and accelerate the development of such technologies to boost R&D in a sustainable manner. This has led to investments in companies such as Revivo BioSystems, a Singaporean company who has developed an organ-on-a-chip system as an alternative to animal testing, which is an example of our goal to support emerging technologies in sustainability. With Revivo we are accelerating the development and commercialisation of the organ-on-a-chip system aiming to provide an alternative to reliable and cost efficient animal testing. Similarly, we have also invested in Modern Meadow, a startup that sustainably produces bio fabricated materials that are inspired by leather, eliminating the need for animal skins.

With countries moving towards stronger ethical R&D regulations and practices, investors will need to realise that it is not only about what the innovation is, but how these technologies can contribute back to the industry and for society at every stage of its 'life'.

- **What are your views on healthcare capital investment, allocation, and deployment concerns at underserved ASEAN regions?**

When we look at the overall healthcare investment in ASEAN, there is a disparity in the level of growth and maturity across different countries in the past year. For example, Singapore and Indonesia are ahead of ASEAN countries when it comes to attracting healthcare and healthtech investments due to support from government entities. On the other hand, the Philippines and Thailand are falling behind with high levels of fragmentation across both public and private health sectors slowing down digital health efforts.

Given COVID-19, healthcare is now viewed as a new national defence for many countries across ASEAN. What we will begin to see is more investors stepping in during earlier stages of startup development, thus further boosting allocations even in underserved regions. Indeed, winning investors in healthcare private equity will be those who can identify the long-term implications of the global pandemic.

That being said, there are certain factors that business leaders need to take into consideration before investing in healthcare. One challenge is the lack of research when choosing investments. Some factors that need to be considered when evaluating whether a startup is worth investing include quality of basic research, skills of their management team, financial capability of the company, and the possibility of future commercialisation when it comes to long-term planning.

- **How essential is it to build a strategic alliance through public/private collaboration to elevate the funding ecosphere in Asian bio-pharma sectors?**

Within the fields of bio-pharma and medical innovation, it can be challenging to bring new ideas and technologies into practice. It is, rightfully so, a highly regulated domain, expensive and with continuously high attrition rates.

These issues can be addressed with stronger collaboration between private and public stakeholders. By sharing risks and costs to accelerate the development pathway and generally funnel efforts towards areas where there is both an important unmet medical need as well as where progress would have significant value for society, public-private partnerships can fundamentally change how we advance health and science.

Collaboration across stakeholders such as healthcare professionals and industry partners are crucial to providing quicker access to promising health interventions while safeguarding the sustainability of health systems and life science innovation. Government agencies can also encourage innovation, research and development through ensuring that there are transparent and clear frameworks in place. This transparency will then encourage entrepreneurs to get engaged in the discussion.

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