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# Value-based bioscience investment trends in APAC are stimulating Venture Capital (VC) - Private Equity (PE) deal activities

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**"APAC region is transitioning from volume-based to value-based healthcare models to driving investments" explains Shelby Zhang, Investment Director, Vertex Growth, Singapore**

- **What are the driving factors for investments in the APAC bioscience market?**

The pandemic, along with more recent armed and geopolitical conflicts, brought light to the weaknesses in the global supply chain and potential danger of reliance on far-flung suppliers for strategic products and research capability in bioscience. In response, governments around the world have invested and developed incentives for the private sector to invest in the bioscience industry to build strategic capabilities.

We have seen the impact to be more pronounced in the Asia-Pacific region, given availability of capital and demographic advantages, as emerging economies seek to compete with each other to develop eminence in this strategic industry. Advancements in enabling technologies such as artificial intelligence, multi-omics, and molecule engineering also allow ‘newcomers’ to leapfrog and accelerate the ‘catch-up’ process. This progress can be seen in the robust and high-quality pipeline of companies emerging from the region. For instance, the recent out-licensing deals originating from Japan and China, involving companies like Daiichi Sankyo, Medilink, Eccogene, and KBP, underscore the presence of high-value assets in the region.

Furthermore, major APAC markets such as China and Japan present attractive listing opportunities for innovative biotech and healthtech companies. Despite weakness in the China public market in the past few years due to increased regulatory activities, we are starting to witness promising recovery in recent months. In June 2024, The China Securities Regulatory Commission announced that it will relax the IPO criteria to support yet-to-be profitable high-tech companies. Similarly, the Hong Kong Stock Exchange has also shown positive recovery signals, with successful listing of big tech and healthcare companies, including Zelgen, Xtalpi, and the upcoming listing of Horizon Robotics and Baili Pharma in second half of the year. These opportunities allow venture capitalists to envision a viable exit path for investments in the region.

Value-based healthcare is another important theme driving investments in APAC. In response to the regional demographic shifts, including an ageing population and increased prevalence of chronic diseases, governments in the APAC region are transitioning from volume-based to value-based healthcare models. These models prioritize costs reduction while enhancing patient health outcomes. To capitalize on this trend, investors in the healthcare space are increasingly emphasizing on the value added to patients and the healthcare system.

- **How would you describe the current state of venture capital (VC) and private equity (PE) deal activities in fostering biotech deals in the APAC region?**

The APAC biotech sector has exhibited remarkable resilience, showing consistent growth amidst macroeconomic volatility. While investors' appetite for deal flow remains, we observe a more prudent approach regarding capital deployment.

New investment opportunities are carefully evaluated, with investors becoming more discerning in their investment choices. Front-runners with high-quality assets and experienced teams in the biotech sub-sectors continue to attract investor interest, whereas newcomers are encountering fundraising challenges. Additionally, certain sub-sectors within biotech may experience overcrowding, leading to robust valuations.

In addition, investors are prioritizing management of their existing portfolio companies in light of the ongoing macroeconomic headwinds. In today's complex market environment, investors are placing a greater emphasis on the sustainable growth of their existing portfolio companies over aggressively pursuing new ventures.

- **What management strategies are effective in bridging the commercialisation barrier in biotech or healthtech ventures?**

Effective management strategies in bridging the commercialisation barrier in biotech or healthtech ventures require a nuanced approach, tailored to the unique challenges of each sector.

In the biotech sector, where the commercialisation journey tends to be protracted with enormous capital requirement, many start-up ventures opt for licensing and/or co-development deals with larger entities. These partnerships may include co-sponsoring large-scale clinical trials and co-commercializing products, as exemplified by partnerships such as those between LegendBio and Johnson & Johnson in CAR-T therapy, and Daiichi Sankyo and Astrazeneca in Enhertu. These business development deals remain a primary pathway for commercialisation, highlighting the importance of investing in business development efforts and making informed decisions.

On the other hand, healthtech ventures typically face a shorter commercialisation path but need to compete on multiple fronts beyond just data and specifications. This includes manufacturing optimisation, sales and after-sales service, as well as clinical resource management. Consequently, there is a greater need for the founders and management team to have a comprehensive skillset and experience in navigating these complexities.

- **What are the key considerations a VC will consider when investing in biopharma or healthtech endeavours?**

As a venture capital firm specializing in growth-stage investments, for healthcare opportunities, Vertex Growth primarily focuses on investing in companies that have reached certain maturity in their development process. Our investment predilections lean towards biotechnology (biotech) companies that are in the clinical stage, ideally with proof-of-concept data available. In the realm of health technology (healthtech), our preference is to invest in companies that are either in the late clinical stage or the early commercial stage.

Our investment considerations as a growth-stage venture capital firm differ slightly from our early-stage VC peers. While early-stage venture capitalists tend to focus on early validation of the scientific premise and mechanism of action, our focus is primarily on the analysis of clinical data. This includes a comparative study of the data with the current standard of care, competitors targeting the same areas, and those pursuing the same indications. This approach has enabled us to gain a comprehensive understanding of the competitive landscape.

Another key determinant factor in our investment decision-making process is the market size and commercialisation potential of the asset in question. Products that target a large, addressable market with indications of rapid scalability are more likely to pique our interest. Our experience has shown that successful products often emphasise on practicality, addressing real-life challenges or fulfilling unmet needs faced by patients and healthcare providers.

Lastly, and certainly not least importantly, we place heavy emphasis on experience and track record of the management team, advisory panel, and board members of the company, as it plays a pivotal role in determining the overall success of a company.