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ASIA EDITION

Asiaâ??s biotech innovation gains momentum as funding models become increasingly relevant

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Kenneth Sun from Royalty Pharma discusses Asiaâ??s growing role in global biotech innovation, the rise of out-licensing, and how royalty funding could support the next phase of therapeutic development in the region.

As biotech innovation accelerates, Asia emerges as an increasingly important hub, driven by stronger scientific capabilities as well as rising out-licensing activity. This makes Asia stand out to global pharmaceutical companies. As more companies within the region advance innovating therapeutics, the need for flexible and strategic capital shows its importance.

This momentum is particularly visible in China, where out-licensing activity has grown sharply over the past few years. Asian biotech companies are building upon partnerships and licensing arrangements, and global development models to grow their assets into wider markets, while also retaining the opportunity to build deeper pipelines at home.

Speaking with Kenneth Sun, Senior Vice President and Head of Asia at Royalty Pharma, to discuss the long-term opportunity for biotech innovation in Asia, the role of Hong Kong and Singapore as regional hubs, and the rise of the importance of funding and how creative capital models could support sustainable growth across the region's biopharma ecosystem.

What are your perspectives on long-term opportunities for biotech and pharma innovations in Asia, and how do you see the region evolving as a key player in the global market?

The innovation coming out of Asia-Pacific is exciting. Out-licensing activity from China comprised over $130 billion of announced transaction value in 2025, up from approximately $14 billion in 2021, and shows no sign of slowing. This momentum is expected to continue into 2026 and beyond, as modalities, therapeutic areas and deal structures out of Asia become increasingly innovative, comprehensive and diverse.

Royalty funding is a relatively new concept for Asian companies. While a significant portion of innovation and out-licensing activity in the region is concentrated in early-stage clinical programmes, including pre-proof of concept, we believe it is critical to establish a strong foundation for the biopharma royalty market now and to build enduring relationships with innovators.

By engaging early, we can ensure that as these therapies advance through clinical development, companies are familiar with Royalty Pharma and understand how royalties can serve as a flexible, strategic source of capital to support their growth.

How do you envisage Asian biotech companies leveraging regional strengths, partnerships, and market dynamics to build a pipeline of innovative therapeutics? What role do key markets like Hong Kong and Singapore play as hubs for biopharma innovation and investment in Asia?

Asian companies are clearly leveraging partnerships and licensing to help build their innovative pipelines. We are optimistic these trends will continue, and key markets such as Hong Kong and Singapore can act as important hubs for innovation and investment, much in the way San Francisco and Boston do in the United States.

Having vibrant local markets is especially critical to attracting specialised talent and fostering the collaboration needed to drive biopharma innovation.

What are your strategic goals for positioning Asia as a leader in the biotech sector amid its emergence as a centre for innovation and therapeutics development?

We view Asia as an important market, and joining Royalty Pharma is the first step in building out our royalty platform in APAC. My initial strategic goals at Royalty Pharma will be to establish a team and help build the Royalty Pharma platform and brand in Asia.

I will spend time introducing the Royalty Pharma business model to biopharma companies, learning more about their funding needs and clinical programmes, and explaining how they can use royalties to help fund their businesses.

Royalty Pharma is focused on creating long-term partnerships and providing funding support to biomedical innovation in the Asia-Pacific region.

How can creative funding models address the unique capital needs of biotech companies in Asia and support their growth in the sector?

The royalty market had a record year in 2025, reaching $10 billion in announced transaction value, as royalties have become a critical part of an innovative biotech company’s capital structure.

As the biopharma royalty market in Asia-Pacific is new, we will be meeting with companies to explain our business model and the benefits of using royalties to fund their businesses. These benefits include that royalties are non-dilutive to equity, have a low cost of capital, can be tailored to meet specific funding needs, and are far less operationally restrictive than debt.

With the rise of out-licensing deals in China and other Asian countries, how can companies ensure sustainable and equitable partnerships with global pharmaceutical players?

With the rise of out-licensing in China and other Asian countries, it is clear that innovation in Asia is increasingly recognised. Asian companies can use the capital from these out-licensing transactions with multinational biopharmaceutical companies to help fund their other key programmes. They will also benefit from the clinical, regulatory and marketing expertise in geographies where they may not have a presence.

Over time, these Chinese companies may have ambitions to scale their businesses and build global operations.

Royalty Pharma has a partner-centric approach and is always looking to create win-win funding solutions for our partners. We can provide capital at the scale of multinational biopharmaceutical companies while allowing our partners to retain operational control and a greater share of the economics.

We also have an integrated Data & Analytics platform and the ability to provide valuable insight and market research.

In your view, how has the healthcare investment trend in Asia changed over the past decade, especially in Greater China?

Over the last two decades, healthcare investing in China has fundamentally shifted from betting on China as a low-cost producer and growth market to investing in it as a scientific innovator.

From 2000 to 2010, capital came for arbitrage and access: cheap manufacturing, a vast patient pool, and a generics industry climbing the ladder. China was a factory and a market; the value captured sat downstream, making others' molecules at a lower cost and selling them locally.

After 2010, China deliberately re-engineered the risk-reward of innovative R&D, and capital and talent responded accordingly. Three reinforcing forces drove it: regulatory credibility driven by government reforms in 2015 and 2017, capital market formation for pre-revenue science, and returning Western-trained talent plus bio-clusters in Suzhou and Shanghai.

Each step de-risked the next investor's decision, creating a self-reinforcing cycle that lifted China's share of the global pipeline from around 4 percent in 2015 to around 14 percent by 2020.

Today, the world sources innovation from China. Western pharma faces a period of significant exclusivity losses, while Chinese discovery runs 30 to 40 percent cheaper and enrols trials two to three times faster, providing a new source of innovation to enhance pipelines.

It is the same cost-and-scale edge from the 2000s, now applied to innovative molecule discovery rather than manufacturing, so the value captured is higher. The most common deal structures include out-licensing, asset spinouts into globally focused development companies, and portfolio swaps between multinational pharma companies and Chinese biotech firms.

The trend has moved from investing in China to buying from China, graduating the region from a cost-arbitrage destination to a genuine source of global biotech innovation.

What strategies or frameworks do you believe will be most effective in supporting the development of innovative therapeutics in Asia while maintaining strong local and regional collaboration?

I think we are seeing those strategies play out in real time with all the partnering and licensing activity occurring in Asia. These transactions are providing much-needed capital to Chinese biotechs to advance their programmes, as well as clinical, regulatory and commercial expertise in geographies where they may not have a presence.

How do you perceive the current impact of trade tariffs on the Asia-Pacific bioscience and pharmaceutical market and cross-border commerce, particularly for a country like Singapore, which is home to over 80 leading biomedical companies and over 60 pharmaceutical manufacturing facilities?

We are certainly watching and aware of the trade tariffs occurring in the Asia-Pacific region, much of which has centred around API imports. At this time, we are optimistic that the global biopharmaceutical industry can navigate these dynamics, and we are optimistic that the innovation coming out of Asia will continue.

For Royalty Pharma, we have a flexible business model and are not constrained by geography or therapeutic area. We are also constantly reinvesting in new royalties and can quickly adapt to any changes in the regulatory or pricing landscape, should they occur.