

APAC witnesses boom in biotech investment: GlobalData

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Singapore: Asia-Pacific (APAC) region is experiencing a significant boom in the volume of private equity (PE) and venture capital (VC) investments in biotechnology, with investors looking to cash in on the remarkable potential of the region's healthcare sector, says an analyst with research and consulting firm GlobalData.

Adefemi Adenuga, GlobalData's Senior Analyst covering Industry Dynamics, says that the APAC countries are being targeted by large pharmaceutical companies seeking to recover their loss of market exclusivity in Western Europe and the US, due to patent expirations and slow growth.

GlobalData states that the volume of healthcare PE investment in the APAC region increased massively between 2011 and 2013, growing by 125.8 percent during that period. On the other hand, deal activities in Europe and North America decreased by 30.5 percent and 2.5 percent between 2012 and 2013, respectively.

Adenuga says, "Within the past five years, the APAC region has witnessed various pharma deals, including Sanofi's takeover of India-based Shantha Biotechnics, GlaxoSmithKline's purchase of a stake in South Korea-based Dong-A Socio Holdings, and Novartis' acquisition of a stake in China-based Zhejiang Tianyuan Bio-Pharmaceutical.

"It is therefore not surprising that PE and VC firms have also caught on to this trend, increasing their focus on the region in the hope that future returns will justify their investments and opportunity costs."

However, Adenuga says that lax intellectual property (IP) protection and regulatory compliance in the APAC countries could slow down this boom in investment. Pharmaceutical giants, such as Bayer and Novartis, have recently been hurt by India's weak IP laws.

"Investors are well aware of this situation, but they are in the risk-versus-return business. Ultimately, they have to decide whether trading reimbursement and other challenges they currently face in developed markets are risks they wish to take in the APAC region," Adenuga concludes.