

Chinese business & finance

Western companies drive Chinese biotech licensing deal blitz

Merck, GSK and AstraZeneca have all signed deals



Western pharmaceutical companies are seeking to expand their product pipelines © Brendan McDermid/Reuters

Eleanor Olcott in Beijing and Xueqiao Wang in Shanghai 8 HOURS AGO

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Western pharmaceutical companies and investors are driving a record number of licensing deals with Chinese drugmakers that have insufficient capital to fund late-stage drug development and global expansion.

Merck, GSK and AstraZeneca have all signed licensing deals in a wave of biotech investment that hit a record \$44.1bn last year, according to UBS research. The momentum has been sustained in 2024, with \$9.8bn worth of biotech licensing deals signed in the first quarter.

Western pharma companies are seeking to expand their product pipelines as they confront [patent expiries](#) of lucrative drugs in the coming years, while Chinese drugmakers are struggling to raise funds domestically for drug development and clinical trials during a stock market slump. A Hong Kong-listed index of 50 “innovative” biotech stocks has fallen 57 per cent over the past three years.

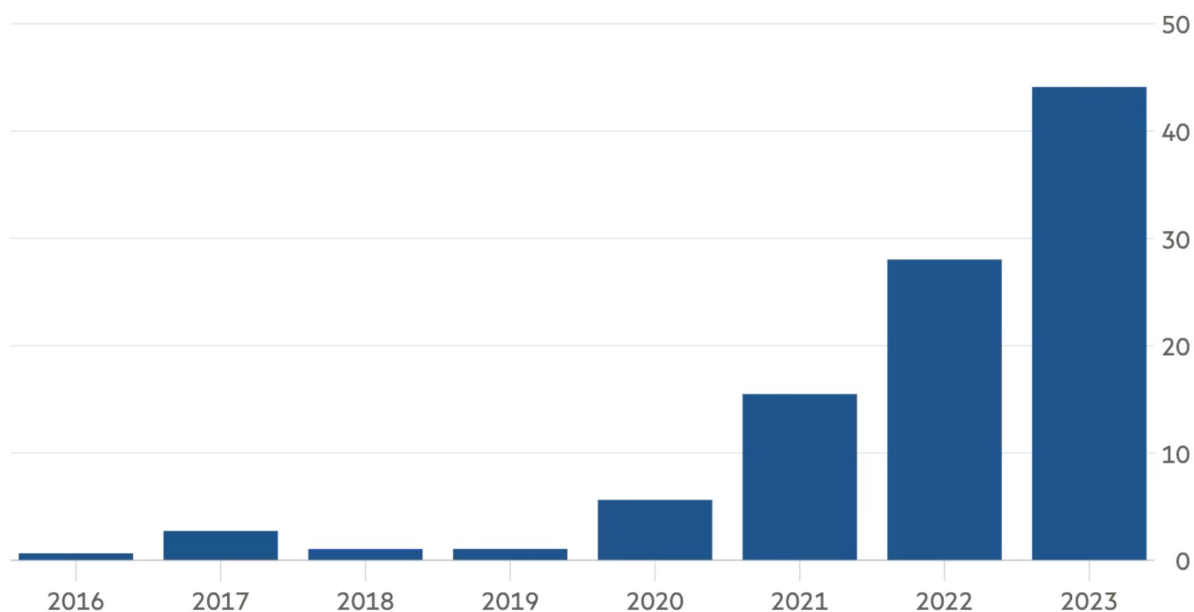
“Over a decade ago, China started pouring investment into biotech. Now the results of

that investment are coming out just as the Chinese companies face funding constraints,” said Helen Chen, head of LEK Consulting’s healthcare practice in Shanghai.

She added that Chinese drugmakers were facing challenges in the domestic market following a pricing regime overhaul that has forced them to drop prices of innovative drugs to qualify for the national medical insurance scheme. Beijing’s campaign to drive down prices has forced drugmakers to search for growth overseas.

China biotech licensing deals hit record high

\$bn



Source: UBS

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The interest in Chinese [pharma](#) defies a broader exodus of foreign capital from the country at a time of rising geopolitical tension and slowing economic growth. China’s funding crunch has created an opportunity for drugmakers to expand their product pipelines.

“Many large global pharmaceutical companies are sitting on cash piles following the pandemic,” said Chen Chen, a healthcare analyst at UBS. “At the same time, they are looking to expand their portfolio as many drug patents are due to expire in the next few years.”

Most of the deals involve US or European pharmaceutical companies licensing Chinese-made drugs for a low price and then providing the capital needed for more development, clinical trials and commercialisation. Some of the deals are to license the rights to sell within [China](#). “It’s a form of venture capital investment,” said Chen

Chen.

In December 2023, Merck made an upfront payment of \$70mn for the Chinese rights to license Shanghai-based biotech group Abbisko's treatment for benign joint tumours that affect mobility. The licence is to commercialise in China with the option to go overseas.

New investors are coming to the sector. "One of the most interesting developments is the entry of private equity, seeking Chinese assets for internationalisation with the hope of exiting to large pharmaceutical companies within one to three years," said Helen Chen of LEK.

This month, Shanghai-listed Jiangsu Hengrui Pharmaceuticals said it sold the overseas licence for a portfolio of weight loss drugs to Hercules CM NewCo, a company formed by a consortium of investors including Bain Capital Life Sciences, the US buyout group's pharma arm.

It has licensed three drug candidates for \$110mn, with later payments upon hitting regulatory targets and royalties if the product is rolled out to the public. Hengrui also received a 20 per cent stake in Hercules.

Hengrui struck a less favourable deal in August to sell the global rights for its adult asthma treatment to Aiolos Bio, then known as One Bio, for an initial upfront payment of \$21.5mn, with up to \$1bn more if it gains approval overseas.

In October, Aiolos raised \$245mn from a group of backers including Bain Capital Life Sciences and venture capital firms Atlas Venture, Forbion and Sofinnova.

Months later, GSK announced it had acquired Aiolos for an upfront payment of \$1bn, with a further \$400mn to be paid after clearing regulatory milestones. GSK will also pay Hengrui if the drug hits certain milestones and royalties if it commercialises.

The deal has prompted criticism within the Chinese pharmaceutical industry, where some are calling for more government support.

"Why is China selling its own innovative drugs so cheaply to foreigners?" said one Chinese biotech start-up executive who sold their drug licensing rights after struggling to raise capital from investors. "Beijing should help good enterprises to develop promising products and not just let them be sold to foreign companies."

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