



Accessing Chinese Capital and Strategic Partners

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The Big Picture – Life Sciences Industry

1. For the first time in human history, we have access to the genetic code that defines all humans
2. Scientists are beginning to look into the molecular and cellular make-up of our bodies and decipher the processes and patterns that drive human life
3. We are also getting tantalisingly close to moving adult cells “back in time” to the state we were all in when we were conceived, without needing to use embryos – overturning decades of accepted wisdom – the world is not flat and the sun does not circle earth !
4. This throws up the alluring possibility of identifying underlying mechanisms rather than mere symptoms
5. i.e. Cause rather than Effect
6. And we have organisations like Google looking to apply their advanced skills in Big Data analysis and pattern recognition algorithms to identify new treatments – potentially replacing the “statistics based” approval process at the core of the industry with analysis of personalised data.
7. If that doesn’t get you excited as a Life Sciences player, then perhaps you are lacking the “excitement gene” in your individual genetic makeup – not to worry though, you may soon be able to inject the right stem cells to fix that!

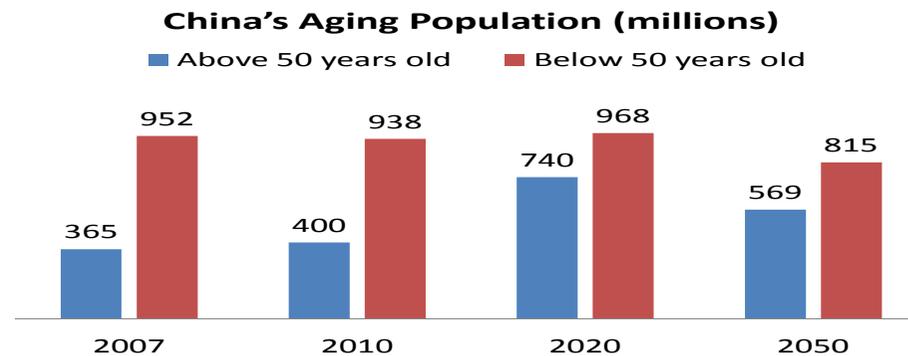
Key China Messages

1. The Chinese healthcare market is big in absolute terms and growing rapidly
2. The Chinese government has nominated healthcare infrastructure, biotech and medical devices as high priority areas for development and investment
3. There are large and diverse pools of capital available for the right healthcare solutions but you must pitch yourself correctly
4. To be taken seriously, you must have, or plan to have, a credible presence on the ground in the Chinese healthcare market
5. Partnering can speed market entry and reduce risks, but choice of partners is critical to navigate the system
6. China can be leveraged as part of a Global Strategy



Key trends

1. Rapidly aging population
2. High risk lifestyles – stress / environment / drinking / smoking
3. Large and increasing middle class with disposable income
4. Consumer spending habits focus on “the best” healthcare available
5. Increased medical insurance coverage
6. Increased doctor awareness of age-related diseases



Source: National Population & Family Planning Commission

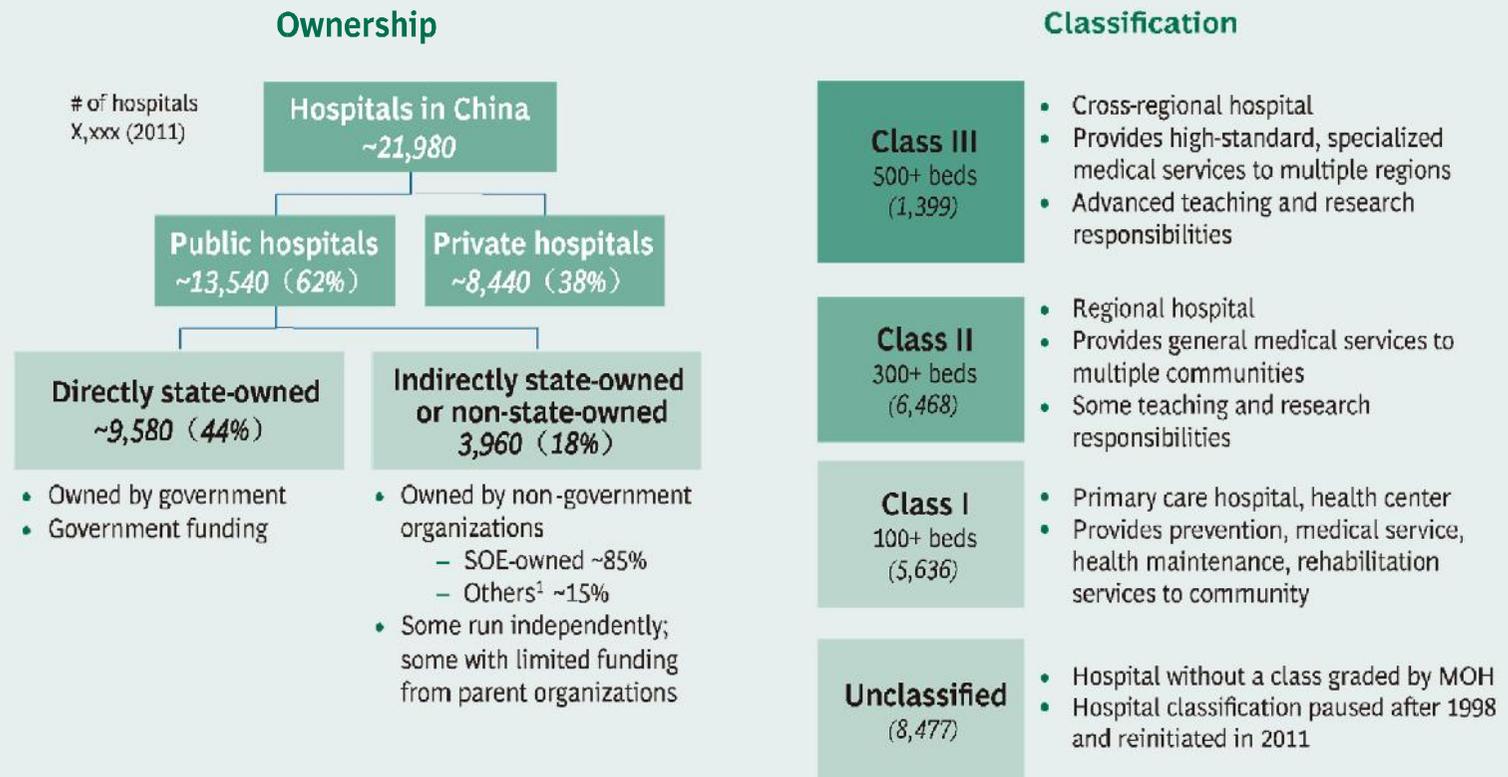
China HealthCare Market

1. China currently spends approximately 5% of GDP on healthcare (compared to 9.5% in Australia, 11% in Germany, 9% in Japan and 18% in the US)
2. Per capita spend is US\$92 (versus US\$5,000 in Australia and US\$6,700 in the US)
3. The Chinese government has stated that it will spend over RMB850 billion (US\$140 billion) in the next several years to upgrade its healthcare system
4. Chinese pharmaceutical industry revenue is growing at a high teens rate (+-17% CAGR) – currently close to US\$100 billion
5. Infrastructure upgrade requires thousands of new hospitals over the next 5 years



Chinese Hospital Market

Exhibit 1. Hospital Definition by Ownership and Class



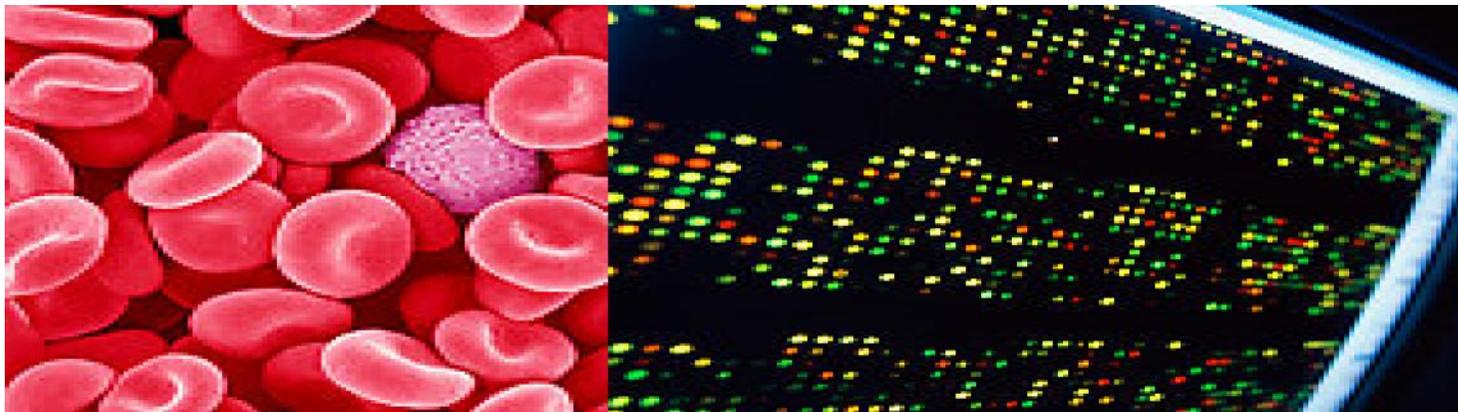
Sources: MOH, China Health Statistical Yearbook 2012; MOH, Measures for the Administration of Hospital Classification (Trial); BCG analysis.

Note: MOH = Ministry of Health; SOE = State-owned enterprise.

¹For example, hospitals run by social organizations, such as the Red-Cross Association.

Chinese Cancer Market

1. Approximately 3.2 million new cancer cases each year
2. 8,550 per day
3. 6 people being diagnosed with some form of cancer every minute
4. 50-plus group accounts for approximately 80% of all cases in China
5. Nearly 1% of the 60-plus age group being diagnosed with cancer
6. 2.7 million Chinese die from cancer each year



Attracting Chinese Healthcare Investors and Partners

1. Your technology must be world class
2. You must demonstrate ongoing strong commitment to China
3. You must have a well defined strategic plan for the Chinese market
4. You must have a clear technology transfer plan
5. You must have an on the ground team (can be outsourced)
6. It helps if you are focused on key areas identified as priority by the Government





Chinese HNW private investors

1. Flush with cash from real estate, manufacturing and mining sectors
2. Looking to diversify assets – require visibility to cash flow
3. Keen to promote their local government relations by bringing strong foreign technologies into their local market
4. Lower level of technological expertise so can struggle with technology risk assessment
5. Potential link to Australian residency visas (Significant Investor Visa)
6. Types include Family Offices, Second Generation Offspring and Princelings



Chinese SOE and Corporate Investors

1. Cash-rich and need to diversify platform against strong local competition and into new industries
2. Eager to partner with foreign best practice technology
3. Looking for vertical integration and new technologies to bring into their distribution networks
4. Difficult to go direct to them before have you have your own China based team in place
5. Examples include Fosun Group, Haier, Chindex, Wuxi Pharma, ShangPharma, BaoSteel, HNA



Government Sponsored Investors

1. Provide seed and angel capital structured around technology-transfer
2. Assist with local operations set up
3. Interested in joint R&D
4. Help protect IP
5. Not focused on exits but rather building technology capabilities, local employment and tax base
6. Examples include Chengdu Hi-Tech Park, Zhongguancun in Beijing, China Development Bank, Shanghai Advanced Research Institute of the Chinese Academy of Sciences

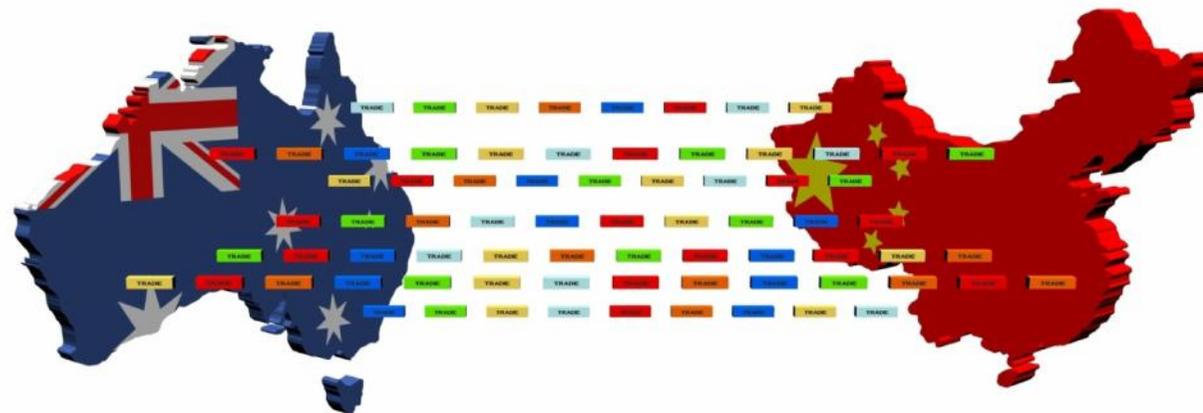


Cross Border Fund Investors

1. Primarily RMB / US\$
2. RMB / A\$ in short supply but increasing interest
3. Extensive China-offshore networks and professional investment management platforms
4. Typically commercialization / growth stage focused, not early stage R&D – some traction required in home market
5. Looking for local exit strategies through IPO or buy-out
6. Examples include Qiming, Citic Securities, ICBC, CDH Investment, IDG, Hony Capital, WI Harper and Vivo Ventures

How to get started

1. Identify your world class edge
2. Be clear that China is a long term priority for you
3. Get educated – get on a plane and begin to understand the scale and complexity of the opportunity
4. Develop a clear market entry plan and budget
5. Reconfirm your commitment
6. Begin the process of partner and investor engagement



BlueMount China / Australia Platform

1. Focused on long-term, strategic assistance to foreign companies in China and supporting Chinese companies in their globalization strategies
2. Multidisciplinary business model: Integrating strategy development, partnering, revenue generation and capital
3. Supporting foreign companies to build long-term sustainable strategies in China with strong local business and government networks, deal flow and strategic partners
4. Assisting Chinese companies consolidate their domestic leadership by tapping western capabilities and technology through partnerships and Joint Ventures





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