

ASIA PACIFIC LIFE SCIENCES & HEALTHCARE REPORT 2023

Tracking the investible opportunity and M&A potential within the life sciences and healthcare space in Asia Pacific

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In partnership with

FinanceAsia



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UPWARD AND ONWARD: BEHIND INVESTOR OPTIMISM IN ASIA PACIFIC'S LIFE SCIENCES AND HEALTHCARE POTENTIAL



Investment in healthcare is a big area of concern for Asia Pacific (APAC), particularly as the pandemic laid bare the inadequacy of the region's healthcare infrastructure. As APAC ages, the demand for health services will only grow, placing a bigger fiscal burden on governments whose budgets are already stretched too thin

This brings the importance of private capital into focus. While there are challenges to investing in life sciences and healthcare in APAC, several macroeconomic, demographic, and digital trends are keeping investors interested in the sector.

For those curious about the investment thesis in life sciences and healthcare, particularly against the backdrop of the Covid-19 pandemic, the Life Sciences & Healthcare Report from FinanceAsia and DFIN provides a succinct yet comprehensive overview.

To create this report, we studied the most significant recent trends in the sector to arrive at an understanding of the factors that could power, or indeed inhibit its growth. Besides this critical historic context, we have provided a view into what the future looks like for life sciences and healthcare via bespoke research involving key stakeholders.

We surveyed investors, legal and financial advisors who are actively engaged in the space, as well as professionals operating in life sciences and healthcare companies, to obtain informed insights on the opportunities and challenges that come with investments in the sector¹.

KEY TAKEAWAYS

Despite a challenging 2022, the life sciences and healthcare sector is expected to bounce back in 2023 with robust growth as governments and businesses alike continue to focus on health and wellbeing in response to increased consumer demand for personalised care. A majority of survey respondents demonstrate optimism about the sector's growth prospects and investors' interest in life sciences and healthcare. An overwhelming 80% of investors expect to be involved in a transaction (funding, M&A, public listing) in the life sciences and healthcare space over a two-year horizon. In comparison, over the past two years, only 40% have engaged in life sciences and healthcare transactions. Even among investors who have not engaged so far, 100% say they are ready to invest should the right opportunity present itself. APAC will receive increased investor focus as factors such as the region's ageing population and increasing pressures on public healthcare systems create more demand. Rising health consumerism and digital innovations will be major influencing factors on adoption and supply of life sciences and healthcare products and services. Though APAC's life sciences and healthcare industry has traditionally lagged counterparts in North America and Europe, strong fundamentals such as its rising middle class and digitally savvy populations provide ripe opportunities for innovators and healthcare providers. Investors expect heightened M&A activity and more foreign investment especially where markets are mature, and resources are widely available. Most (56.3%) expect to see a growth in both volume and value of M&A over the next two years. Long and complicated due diligence, data and IP protection, rising regulations, and resource-intensive R&D processes pose **challenges.** Though dealmaking is expected to recover in 2023, there will be strong competition for a handful of late-stage companies amid continued industry-wide consolidation. The **most active verticals** expected to draw a bulk of investments and M&A are medical technology (medtech) and devices (25.0%), biotechnology (19.4%), pharmaceutical research and development (R&D) (19.4%) and healthcare solutions (19.4%). 04

INTRODUCTION

The life sciences and healthcare sector spans everything from biotechnologies and biopharmaceuticals, diagnostics that leverage artificial intelligence and machine learning, to new approaches to pharmaceutical development, healthtech and medtech solutions, and cell and gene-based therapies.



Prior to 2020, life sciences and healthcare occupied a small but growing share of the global economy. But three years from the onset of Covid-19, the industry is placed near the top of investors' priorities. The pandemic was a transformative moment which saw a widespread adoption of telemedicine even in markets where it had previously been ignored like Japan. The rapid-fire development of vaccines sparked the imagination of medical researchers to the potential of genomic sequencing to transform how treatments are studied, scaled, and distributed.

Scientists are now exploring the potential for artificial intelligence to accelerate the development of new drugs and therapies.

"INVESTOR INTEREST IN LIFE SCIENCES HAS DEFINITELY INCREASED POST-PANDEMIC. THE CURRENT CHALLENGE IS HAVING ENOUGH QUALIFIED INVESTORS WITH SUFFICIENT EXPERTISE IN RESPECTIVE THERAPEUTIC AREAS OR TREATMENT MODALITIES TO MAKE INFORMED INVESTMENT DECISIONS."



Tessa Therapeutics is a clinical stage biotech company developing next generation cell therapies for the treatment of cancer, with key investors including EDBI, Far East Capital, Heliconia Capital Management, Heritas Capital, Polaris Capital, and Temasek Holdings

Customer attitudes towards healthcare have changed dramatically with many more individuals pursuing control over their care and lifestyle changes. One survey shows almost half of consumers are willing to spend more out of pocket to improve healthcare outcomes, while telemedicine usage has doubled.² This change has brought new opportunities for life sciences and healthcare players to provide innovative services, and to adopt a more flexible, simple approach to care.

DEALMAKING SURGES AMID PANDEMIC FEARS

The life science and healthcare sector has seen a flurry of activity with the list of investors including private equity and venture funds, angel investors, hedge funds, corporate venture arms, family offices, sovereign wealth funds, and large companies active in the space.³

In APAC, the number of private equity buyouts in healthcare increased to 156 in 2020 from just 68 a year earlier. In the same period, the value of these buyouts increased by 53.4% to \$16.9 billion.4

In 2021, both the volume and value of deals increased to 179 and \$17.8 billion respectively.

Sovereign wealth funds have been particularly active — in 2021, Abu Dhabi's Mubadala was part of the consortium that invested in South Korea's leading botox manufacturer Hugel. Earlier this year, Singapore's Temasek acquired a controlling stake in Indian hospital chain Manipal Health⁵; and the Qatar Investment Authority participated in Series B1 for China-based pharmaceutical company OriCell Therapeutics.

Favourable consumer trends such as the increased adoption of technology-enabled products and digital services, and an ageing population have played a key role in the rising interest in life sciences and healthcare.

Governments too have heavily increased investment in their citizens' and workforces' health and wellbeing.

Between 2020 and 2022, public healthcare spending rose sharply as governments responded to the virus, hitting a high of \$9 trillion in 2020, or 11% of global GDP. ⁶ Government policies supportive of private equity investment have contributed to the growth of life sciences and healthcare, particularly in China, India and Southeast Asia.⁷

All these trends resulted in a sharp rise in dealmaking in the wake of the pandemic. Globally, the sector saw 244 deals worth \$179.3 billion in 2021, more than double the deal value of \$73 billion recorded in 2020.8

Although North America claimed the top rank for deal volume, APAC was the fastest-growing region.9

This especially benefited sub-segments like biopharma — where funding hit a high of \$39 billion in 2021 — and medtech, whose star has risen thanks to increased focus on diagnostics and digital technologies.¹⁰

However, 2022 was challenging for the industry. With the immediacy of the pandemic waning, M&A investment in global life sciences fell 35% compared with 2021. Investor sentiment was affected by ongoing market volatility, high interest rates, inflationary pressures, and geopolitical tensions.¹¹

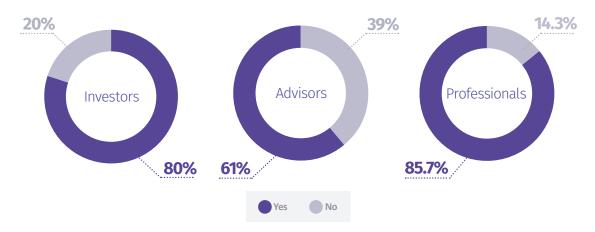
Many of these factors persist in 2023, but FinanceAsia's survey of investors, advisors and professionals operating in the life science and healthcare ecosystem in APAC strongly suggests that investment in this sector will bounce back over the next two years.

INVESTOR OPTIMISM ABOUNDS

According to our survey, an overwhelming 80% of investors and 61% of advisors expect to be involved in a transaction (funding, M&A, public listing) in the life sciences and healthcare space within the next two years.¹²

Though most (60%) are relatively new to the sector, around 40% have already engaged in life sciences and healthcare transactions in the past, reflecting the sector's stature as a rising star among investors. Even among investors who have not engaged so far, 100% of those surveyed were ready to invest should the right opportunity present itself.

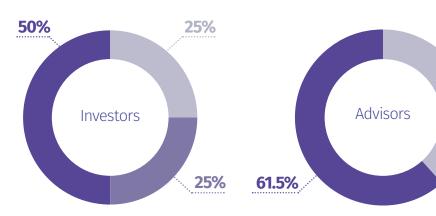
Figure 1: Are you likely to be involved in any capacity (funding, M&A, public listing) in a transaction in the life sciences & healthcare space over the next two years?



These strong investor sentiments are likely to persist even amid a global economic downturn: 50% of investors and 61.5% of advisors are optimistic about the space's potential, while most professionals anticipate growth and increased investor interest.



Figure 2: How does a globally recessive climate affect your view of life sciences and healthcare in APAC?



- We are optimistic about the potential of the space and likely to expand the sectors that we are looking to invest in
- We are pessimistic about the potential of the space, and likely to reduce the sectors that we are looking to invest in
- Our investment thesis remains unchanged

 We are optimistic about the growth potential of the space and believe that companies with IPO plans will list as scheduled

38.5%

 We believe there will be an adverse impact on the space and that companies will postpone upcoming IPOs

Some are of the view that lower levels of dealmaking in 2022 have created reserves of dry powder that investors are now ready to deploy.

"I WOULDN'T BE SURPRISED TO SEE AN UPTICK IN THE HEALTHCARE SPACE — THERE IS A LOT OF DRY POWDER. AND WHILE YOU MAY NOT WANT TO TAKE A CHANCE ON SOMETHING TOO EXPERIMENTAL, IF IT IS AROUND HEALTH THERE IS MORE JUSTIFICATION TO DO SO."

Octave Ventures is a US-head quartered global venture capital firm with a focus on deep tech and biotech investments



Evidence of this eagerness to deploy dry powder was apparent by end-2022 with Amgen's \$26.4 billion acquisition of Horizon Therapeutics, and Johnson & Johnson's \$16.6 billion purchase of medtech firm, Abiomed. Finally, the oncoming raft of patent expirations valued at \$100 billion in 2030 is creating more urgency for M&A as companies look to mitigate growth gaps. 15

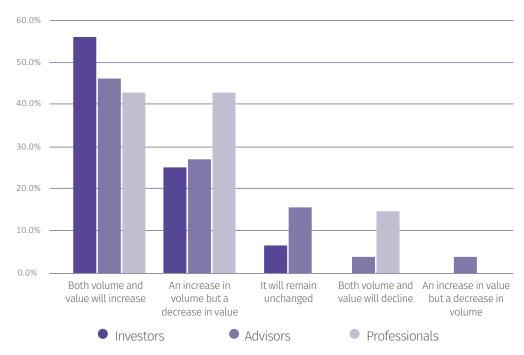
M&A VOLUME AND VALUE ARE EXPECTED TO INCREASE

As these macroeconomic tailwinds shape APAC's life sciences and healthcare industry, we see several trends when it comes to M&A.

A substantial share (46.2%) of advisors expect both M&A volume and value to increase over the next two years in response to heightened consumer demand, demographic shifts and post-pandemic recovery. A quarter (26.9%) expect more deals but smaller ticket sizes due to market fluctuations, widespread consolidation and falling valuations. Three out of seven life sciences and healthcare professionals expect smaller value transactions, with one citing larger players looking to acquire smaller companies. Another respondent says that smaller transactions are associated with investors focusing more on "real deal valuations" rather than speculation.

That said, there are some reservations among respondents: 15.4% of advisors and 6.3% of investors say that dealmaking in APAC will "remain unchanged" referencing potential delays in IPO listings, APAC's historical lack of M&A activity, a cash crunch among investors, and fears of a recession.





Based on survey responses from legal and banking advisors who help in the dealmaking process, the three biggest opportunities in life sciences and healthcare in APAC are in global pharmaceutical companies looking for partners in new markets, the availability of infrastructure supporting the space: e.g., talent, customised real estate solutions; and potential IPOs and listing.

Figure 4: Advisors rank the biggest opportunities in life sciences & healthcare in APAC

RANK 1



Global pharmaceutical companies looking for partners in markets where they haven't established a presence yet

RANK 2



The availability of infrastructure supporting the space: e.g. talent, customised real estate solutions, services that help navigate the complexity of the sector

RANK 3



RANK 4



The regulatory framework around data gathering and sharing in the life sciences & healthcare space

RANK 5



Licensing and collaboration opportunities

Cheung from Tessa Therapeutics says that for his organisation "an IPO or crossover at the end of 2024 remains to be seen. If the capital markets improve significantly, and IPO windows open, that would be a major consideration." However, he explains that a lot could change over the next 12 to 24 months. "Companies like us with very promising data will catch the attention of larger companies, and maybe we can collaborate with MNCs. All strategic options are on the table."

Globally, the sector has seen immense consolidation over the last several years as established life sciences and healthcare firms look for ways to counteract the impending growth gap left by expiring patents or seek to enter new markets.

CONSOLIDATION IS ALSO SEEN AS A STRATEGIC WAY TO ACCELERATE DRUG AND DEVICE DEVELOPMENT, AND ACQUIRE INNOVATIVE TECHNOLOGIES LIKE AI, BIG DATA AND ROBOTICS.

MEDTECH AND HEALTHCARE AMONG MOST POPULAR OPTIONS FOR INVESTMENT, M&A

When asked which verticals are expected to draw a bulk of investment and M&A activity, responses varied. Medical technology and devices drew the most interest among investors (25%) and advisors (30.2%), keeping in line with global trends. In comparison, three out of seven professionals picked healthcare solutions (physical, phyigital and virtual) as the most active area.

Figure 5: Key sectors within life sciences & healthcare in APAC for investment, M&A

40.0%

30.0%

10.0%

Medical technology and devices

Investors

Advisors

improve their quality of life.18

APAC has been a major market for medtech for several years now. China leads the way as the world's second biggest medtech market since 2019 thanks to government grants and multi-stakeholder collaboration.¹⁷ Adoption of medtech has surged among providers to accurately treat patients and

Growing demand for new therapies and diagnostics has driven innovations in APAC, with significant diversity in terms of products and services.

MACRO FACTORS DRIVING LIFE SCIENCES AND HEALTHCARE DEVELOPMENT

Several economic factors are driving investor interest in the region.

For one, major demographic shifts in APAC such as its rapidly ageing population and the onset of chronic diseases are helping make the case for more emphasis on life sciences and healthcare.

~ 2028

BY 2028, A QUARTER OF APAC PEOPLE WILL BE AGED 65 YEARS OR MORE, WITH ESPECIALLY HIGH NUMBERS IN MATURE MARKETS LIKE JAPAN, AUSTRALIA AND SOUTH KOREA.¹⁹

As these economies age, there will be knock-on effects for the population as a whole: not only will workforce participation rates decline, but governments will see their budgets strain as public expenditure on healthcare and pensions rise.

BY 2030, THE COST OF ELDERLY HEALTHCARE IN APAC COULD BALLOON TO \$20 TRILLION, FIVE TIMES THE COST IN 2015.²⁰

2030

Another macro-factor is rising rates of chronic diseases throughout the region. According to the World Health Organization, non-communicable ailments such as cardiovascular disease, cancer, and diabetes account for a majority of deaths in APAC every year.²¹ Given these challenging demographics, life sciences and healthcare gains new relevance to stymie the impact and ensure quality elderly care without significant increases in public spending.

SOPHISTICATED PATIENTS, STRONG GOVERNMENT INTERVENTIONS BOOST INVESTOR INTEREST

By 2030, 65% of the world's middle class will be found in APAC.²² This newly affluent, digitally savvy consumer has a heightened awareness of the importance of health and wellness, especially post-pandemic, and is willing to spend out of pocket to improve health outcomes and experiences.

Over the last year, sales of health-related wearables and downloads of health and fitness apps have risen steadily as consumers acquire more control over their health.²³ ²⁴ To meet rising demand, both established healthcare stakeholders and new tech-first companies are investing more into developing solutions to capture this wave of health consumerism.

APAC'S MEDTECH MARKET IS EXPECTED TO GROW FROM \$135.9 BILLION IN 2022 TO \$184.1 BILLION IN 2027,25 WHILE BIOPHARMACEUTICAL FIRMS ARE EXPECTED TO GROW AT A CAGR OF 10% TO REACH \$65 BILLION IN THE SAME PERIOD.26

The outsized opportunities have enabled the flourishing of homegrown companies in APAC, thanks to an increasingly sophisticated ecosystem.



Governments have poured billions of dollars into growing R&D facilities in science parks, providing financial incentives and building out supply chains.²⁷ In 2020, APAC accounted for nearly a third of listed life sciences companies' global revenue.²⁸

Shifting patient expectations, a growing awareness of the susceptibility of the populations in APAC to certain ailments and conditions, as well as government support – both in terms of infrastructure and funding, have made life sciences and healthcare a priority sector for investors in 2023 according to our survey findings.

Figure 6: Investors rank the top reasons for life sciences & healthcare being an investible opportunity

RANK 1



Attractive valuations in certain sectors within life sciences & healthcare following a post-pandemic correction

RANK 2



A growing interest in bespoke health solutions based on regions or a niche within a region - for instance, addressing ailments particularly prevalent among Asian populations

RANK 3



The availability of infrastructure supporting the space: e.g. talent, customised real estate solutions, services that help navigate the complexity of the sector

RANK 4



Accelerated timelines for product development

RANK 5



The digitalisation of traditional firms in the life sciences & healthcare space

The rare diseases niche is attracting a significant amount of R&D focus. Breakthrough technologies such as sophisticated data analytics and AI have enabled rapid advancements in this area, which is generally characterised by high, unmet needs. For life sciences and healthcare players, this niche could not only provide them with a way to carve an advantage in a competitive market but also reap significant financial rewards.

2026

BY 2026, THE MARKET FOR RARE DISEASE THERAPIES COULD GENERATE \$131 BILLION IN REVENUE.²⁹

Relatedly, the increased implementation of big data and AI/ML into life sciences and healthcare is spurring more R&D into specialised, personalised cell and gene therapies. APAC is a global leader in this subsegment, with companies making significant investments in therapies to counteract cancer and other disorders. In the first half of 2022, the region accounted for the largest share of new cell and gene therapy trials, with more in the pipeline.³⁰

The leaps made in genomics will also support more patient demand for precision medicine, a market predicted to achieve \$141.3 billion in value by 2027.³¹

FOR 31.3% OF SURVEYED INVESTORS, GROWING INTEREST IN BESPOKE HEALTH SOLUTIONS THAT CAN ADDRESS AILMENTS PREVALENT IN ASIA WAS AN IMPORTANT FACTOR INFLUENCING APAC'S INVESTMENT POTENTIAL.

31.3% •

With increased instances of cancer and chronic diseases in APAC, precision medicine could enable healthcare providers to offer more accurate, tailored treatment plans and better outcomes. According to Cheung from Tessa Therapeutics, "cell therapy, and CAR-T in particular, is one of the most exciting and dynamic spaces in the biotechnology industry."

This opportunity is being supported by significant government investments into genome sequencing projects: Thailand's \$150 million five-year initiative will look to characterise the genomes of 50,000 citizens, while a program in Singapore will collect material from 10,000 multi-ethnic Singaporeans.³²

Much of these investments came hot on the heels of Covid-19 as governments invested in preparations for future pandemics.³³ Japan, for example, allocated \$2 billion to accelerate future vaccine development and treatment drugs.³⁴ In 2022, Singapore's Ministry of Health launched a \$74.3 million programme to build out its preparedness and response capabilities for future pandemics.³⁵

Pandemics aside, the life sciences and healthcare sector has benefited from a raft of pro-growth policies as governments target it as a strategic industry. For example, in its most recent Five-Year Plan, the Chinese government has earmarked funding to develop proprietary technology and increase medical production and R&D.³⁶ In Hong Kong, the Biomedical Technology Cluster's drug production capabilities will be strengthened, while Australia's government provides tax credits to encourage innovation.³⁷

The efforts of APAC governments and businesses to build their R&D capabilities has contributed to investor optimism regarding the potential of life sciences and healthcare investments. The availability of infrastructure to support the sector is considered the third most important factor contributing to its viability by 23.1% of investors.

DATA AND IP PROTECTION GAIN GROUND

Data has become a key resource to supporting life sciences and healthcare development in APAC. Industry players are coalescing around the need to establish better practices and systems around data and intellectual property (IP) protection.

Security will prove to be a particularly significant flashpoint due to the high-value nature of personal and private patient data and the cost implications of life sciences and healthcare-related breaches.

HEALTHCARE TARGETS ARE LIKELIER TO SUFFER INSTANCES OF CYBER-ATTACKS COMPARED TO THEIR COUNTERPARTS IN OTHER INDUSTRIES³⁸ — DATA BREACHES COULD COST AN AVERAGE OF \$10.1 MILLION PER ATTACK.³⁹

Weak protections for life sciences and healthcare intellectual property, meanwhile, could impact APAC investment by disincentivising innovation and stymying the development of effective digital healthcare systems.⁴⁰

Some surveyed investors highlighted challenges around data and IP protection as a factor that could limit the investment potential of life sciences and healthcare in APAC.

It is an area that companies like Tessa Therapeutics have already started to take very seriously. Tessa Therapeutics' Cheung highlights that data protection is of paramount importance and says, "Our intellectual property is the basis of the company and needs to be protected. For fundraising or deal activities, we always work with secure virtual data rooms provided by reputable industry players."

To ensure the opportunities in this space are not wasted, there has been significant movement among APAC governments to respond to these challenges.

DATA PRIVACY REGULATIONS HAVE SURGED THROUGHOUT THE REGION AND ARE EXPECTED TO GROW BY 25% BETWEEN 2021-2023.41

While the challenges relating to data and IP protection are far from being resolved, there are some positive developments. Governments are putting in place regulatory frameworks to ensure data privacy. Investors and professionals in the life sciences and healthcare space have the option to engage companies that specialise in creating secure environments for transactions and dealmaking.

However, there are other critical challenges that the industry is grappling with, which could cast a shadow over its investment thesis.



NOTABLE CHALLENGES FOR LIFE SCIENCES AND HEALTHCARE IN APAC

For most investors, a major obstacle to investing in the sector in APAC is the high competition for a small number of a few late-stage companies with positive trial results and prolonged timelines for product development. Another major obstacle for investors is the long, complicated due diligence processes that are inherent to the industry. Advisor responses broadly fell along similar lines, with some nuanced differences. Most respondents picked lengthy and complicated due diligence processes as a major impediment, followed by issues related to the efficacy and reliability of clinical trials.

RANK 2 RANK 3 Investors Advisors Professionals Lengthy and complicated due diligence processes High competition for a small number of a few late-stage companies with positive trial results Challenges around data / IP protection through drug development to commercialisation Prolonged timelines for product development Issues related to efficacy of clinical trials The need for sector specific expertise considering the expansive nature of the field

Figure 7: Survey respondents rank key challenges in life sciences & healthcare

Keeping it simple also goes a long way. An investor's advice to professionals is that on the therapeutic side, to find people who know enough about the space to "write a two-page deck to explain it like you would to a five-year-old." While this is not the sole basis of an investment decision, "it helps investors get their heads around what you are doing, and you will have an easier task selling it to the LPs. If you're not on the therapeutic side, try to find a good AI hook," he suggests.

It is fundamental for investors and their advisors to recognise that life sciences and healthcare development is a highly-resource intensive sector where immediate returns are far and few between

CONSIDERING THE NATURE OF MOST
INVESTMENT ACTIVITY, IT IS UNSURPRISING
THEN THAT DECLINING FOCUS INTO CERTAIN
SUB-SEGMENTS IS CONSIDERED BY 28.6%
OF PROFESSIONALS AS AN INHIBITOR OF
INVESTOR INTEREST.

28.6%

· **42.9**%

HOWEVER, FOR LIFE SCIENCES AND
HEALTHCARE PROFESSIONALS, THE BIGGEST
INHIBITOR OF INVESTOR INTEREST IS
CHALLENGES IN DATA AND IP PROTECTION
THROUGHOUT THE DRUG DEVELOPMENT
PIPELINE (42.9%).

APAC is a region of immense diversity with each country establishing its own specific requirements for drug approvals, and many regulators demanding extensive documentation, as well as major market approval.⁴² These burdensome processes may be costly in terms of both time and labour and can vary from market to market.

Registration reviews in Hong Kong may take nine months but in Vietnam, applicants may have to wait 30 months for a response.⁴³

There is some optimism for change in the region. In a progressive step, the ASEAN Economic Ministers have established an initiative to streamline pharmaceutical trade without compromising patient safety and quality.⁴⁴

OUTLOOK FOR THE SECTOR

Despite the challenges and an uncertain macroeconomic climate, dealmaking and investments into life sciences and healthcare are set to continue unabated into 2023 and beyond.

Respondents across different verticals agree that the sector in APAC will continue to see growth over the next two years due to a range of different factors.

"There's 100% going to be more M&A," says Octave Ventures' Schwab and adds, "Companies in this space often throw a bunch of stuff at the wall and see what sticks. What does stick could be completely unrelated to their core business though still lucrative, which is one of the beauties of the sector."

"A COMPANY IN THE LIFE SCIENCES AND HEALTHCARE SPACE COULD OFFLOAD DIVISIONS — EVEN ONES THAT ARE PERFORMING WELL AND HAVE POTENTIAL — IF THEY ARE NOT PART OF ITS MAIN PROPOSITION"

- An investor who participated in the survey



For investors, APAC's demographic factors, post-Covid medical demand and influx of new players will be major factors. Meanwhile, advisors add the influence of greater focus from investors and government, an increasingly sophisticated regulatory landscape, and geopolitical shifts between China and India. Government initiatives will be key for the survival and advancement of the sector. As noted previously, there have been admirable efforts by governments to bolster the region's life sciences and healthcare capabilities. Even if given an impetus by the pandemic, these initiatives must go beyond to tackle APAC's existing and future healthcare challenges.

For life sciences and healthcare professionals, the factors that they believe will contribute to the sector's growth are increasing acquisition rates buoyed by foreign investments, APAC's expanding and affluent middle class, and greater availability of better resources.

Finally, life sciences and healthcare has started to draw in investors as its relevance to the ESG agenda becomes more evident. Professionals rank ESG as the second most critical factor driving investor interest in the category. Other critical factors bolstering investments are an increasing interest in specific niches within the larger life sciences and healthcare space, and a favourable regulatory environment.

Figure 8: Life sciences and healthcare professionals rank the factors driving investor interest in the category

RANK 1



An increasing interest in the specific area my company operates in within the larger life sciences & healthcare space

RANK 2



Life sciences & healthcare emerging as a theme within ESG (e.g. — access to medicine becoming embedded within ESG norms)

RANK 3



A favourable regulatory environment within the region/geography that my company operates in

RANK 4



Accelerated timelines for product development

RANK 5



The availability of infrastructure supporting the space: e.g. talent, customised real estate solutions, services that help navigate the complexity of the sector

It is well-established that robust healthcare systems are fundamental to societal resilience, with the added advantage of boosting local economies. Targeted investments can not only promote better health outcomes and financial gains for whole countries, but also provide a crucial bulwark against future shocks.⁴⁵ The rising importance of ESG issues to corporate balance sheets will create the incentives needed to emphasise investments in life sciences and healthcare, going forward.



AFTERWORD: A DFIN PERSPECTIVE



Across respondent types, there is a perceptible optimism about the scope and potential of the life sciences and healthcare space over the next two years. We find that even a recessive atmosphere does not dent this investment thesis. Does this find consonance with your experience with life sciences and healthcare? What have been some of your observations from being associated with various stakeholders in the space?

Yes, we are definitely seeing optimism in the life sciences and healthcare space, despite economic headwinds and market uncertainty.

Our recent Dealmaker Meter, released in March 2023, indicates that executives are still optimistic. Based on an online survey of 100 company executives and financial experts, the report concludes that now is a good time for mergers and acquisitions, and that the pace of M&A may rise in the next two quarters.

DFIN is similarly confident, and for good reason. Recently, we serviced Pfizer's acquisition of Seagen (US\$43.7b, March 2023), Sanofi's acquisition of Provention Bio (US\$2.2b, March 2023), and Globus Medical's acquisition of NuVasive (US\$3.1b, February 2023), just to name a few of the major M&A that we've supported, among other transactions in the life sciences and healthcare sector.

In IPOs, we see green shoots emerging. With investors flush with dry powder, indicators point to the IPO market picking up in the second half of the year. Many top-tier private companies, including those within the pharma, medical & biotech sector, are eager to take the plunge.

The most active verticals expected to draw a bulk of investments and M&A are medical technology (medtech) and devices, biotechnology, pharmaceutical research and development (R&D) and healthcare solutions. Could you discuss what makes the dealmaking process in these spaces challenging? What are some of the solutions being deployed?

The medtech, biotechnology, pharmaceutical R&D, and healthcare solutions industries are distinct in that they handle sensitive, high-value and heavily regulated data. This can pose challenges for the dealmaking process. The prolonged timelines and specialised expertise required to evaluate this data can make it difficult for dealmakers to reach investment conclusions.

To address these challenges, companies must ensure that their documentation is always well-prepared and comprehensive. In addition, businesses should demonstrate that they have ongoing data and intellectual property protection protocols in place to reassure prospective investors and facilitate the due diligence process.



Among the overarching challenges that inhibit investments in this space are long and complicated due diligence processes, data and IP protection, rising regulations, and resource-intensive R&D processes. What role can technology based solutions play to address these issues?

Today's technology solutions empower companies to focus on the deal by providing a single source of the truth and advanced capabilities that not only facilitate due diligence but also provide actionable insights and an added level of assurance and confidence to prospective investors.

For example, Venue by DFIN virtual data room is purpose-built to service the requirements of complex, lengthy due diligence processes by offering an intuitive, enterprise-grade secure platform that effectively connects businesses with their investors. It allows stakeholders to quickly and accurately gain insights into the target company's risks and obligations, as well as uncover hidden opportunities for future growth.

We also are beginning to see how artificial intelligence can help with a lot of the heavy lifting around data protection. Many of our clients are already adopting Al-powered solutions to guard against potential data breaches and to meet evolving regulatory requirements.

Data and IP protection are particularly critical areas for the healthcare industry with the costs of healthcare related breaches pegged at \$10.1 million. What would you say is the state of awareness when it comes to data and IP protection in the region? What are some of the ways in which this risk can be mitigated?

There is a growing recognition among governments, businesses, and consumers in Asia Pacific of the importance of data and IP protection. Many countries are implementing more robust legal frameworks, and businesses are increasingly investing in cybersecurity and other measures to protect their data and intellectual property.

One particular risk is the rise of "dark data", which is information that a company has collected but no longer needs. This is especially prevalent in the healthcare industry. Companies may be holding outdated customer records, ex-employee files, old security videos, supplier details, phone numbers, email addresses, credit card numbers, and healthcare records. If left unprotected, cybercriminals can steal this information and either sell it, use it to perpetrate financial fraud, or even commit blackmail.

To protect a company's data and IP, enterprise leaders must identify dark data and decide whether to store it, protect it, or purge it. Companies must also choose the right technologies to automate the finding and redacting of sensitive information across the enterprise, which will enable them to efficiently maintain compliance with global data protection regulations while minimising the risk of data breaches and non-compliance. In addition, businesses should examine their security practices with third parties, while developing and sustaining a workplace culture that prioritises cyber risk.

Would you have any recommendations for investors and professionals who are focused on the life sciences and healthcare space?

The current slowdown won't last forever. Companies planning for an IPO should use this time wisely. That means getting their teams in order, optimising cost structures, and identifying the challenges that must be addressed before the company goes public, such as establishing policies that are essential to good executive decision making.

For businesses looking to expand their access to capital, investors are exercising increased levels of due diligence, especially on the target company's corporate culture and leadership strategy, so engaging with investors earlier in the deal is key.

Investors and professionals should also keep pace with technology innovations that continue to bring value to businesses in the life sciences and healthcare space. For example, we are beginning to see companies leverage AI in their operations, such as conducting remote monitoring of clinical trials and improving how patient data is stored and distributed.

METHODOLOGY

For the purposes of the Asia Pacific Life Sciences & Healthcare Report 2023, we approached only verified respondents in three categories — investors, professionals working in the life sciences and healthcare sector, and legal as well as financial advisors who help with the dealmaking process.

Fieldwork was completed between December 2022 and March 2023. We surveyed 68 individuals in total, with advisors and investors forming the two largest groups. The survey covered respondents across the APAC region including Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, and Thailand.

Apart from the survey, we approached a few individuals for in-depth interviews, as well as allowing our respondents the opportunity to elaborate on the reasons for their choices through the course of the survey.

We also referred to many recent reports and articles on significant developments within the life sciences and healthcare space to provide a comprehensive picture of the sector and insights into its potential.







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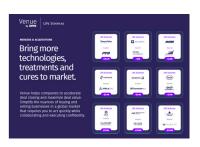
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