

中国医药外包年鉴 2009



**China Pharma Outsourcing
Annual Review 2009**

By Jim J. Zhang, Ph.D.

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Report Description

It has been well recognized that 2009 is a rough year to all types of industries worldwide. The financial crisis has significantly altered both pharmaceutical and biotechnology industries on global scale. The pharma outsourcing industry, both globally and in China, has also been significantly affected. The Chinese pharma outsourcing industry suffered a significant setback in 2009 if compared with the growth path of all its previous years.

However, even though a significant decrease in outsourcing demand was seen in almost every service sector of the Chinese pharma outsourcing industry, its growth rate in 2009 is still so significant that could make many of its rivals envy. In addition to the numerous advantages China still possesses in pharma outsourcing, a number of new factors also contributed to the further growth of the Chinese industry in 2009.

Encouraged by a large number of organizations and professionals that are interested in this Chinese industry and that are eagerly seeking clues of how the Chinese industry has been doing under the shadow of the global financial crisis and how it will likely move in 2010, in this Annual Review, we present the latest update of our research results on this Chinese industry.

The Review starts with our in-depth analysis of how the global pharma and biotech industries have been affected by the crisis and the impacts of these changes on the global pharma outsourcing. It is then followed by our detailed analysis of how the Chinese pharma outsourcing industry has weathered the storm in the last twelve months or so.

The Review also well summarized all major events happened in 2009 including the outsourcing activities in China by drug companies from all over the world, both major pharma and R&D-focused biotech companies.

Also presented in the Review are the outlooks, based on our in-depth analysis and study, of how the global pharma outsourcing in general and the Chinese pharma outsourcing in specific will likely move in 2010.

The most distinct feature of the Review is the inclusion of the current top ten professional pharma outsourcing service providers in the Chinese pharma outsourcing industry, including the detailed description and company profile of each player. To the best of our knowledge, this is the first time that the top ten players of the Chinese pharma outsourcing industry are successfully identified.

The Review will help readers not only gain a clear and deep insight into what has happened to the Chinese pharma outsourcing industry in the past year but also better understand how it will likely move next year. It is a must-read book to all organizations and professionals in the industries of pharmaceutical, biotechnology, outsourcing service and financial investment that are interested in pharmaceutical outsourcing in China.

Key Development Features of Chinese Pharma Outsourcing Industry in 2009 and Its Development Outlook in 2010

- ❖ The financial crisis has directly resulted in the significant reduction in R&D spending industry-wide. It in turn resulted in the drastic decrease in the outsourcing demands. However, a more significant decrease occurred in the R&D-focused biotech industry; whereas the outsourcing demands by the major pharma companies did not decrease significantly.
- ❖ In fact, what has been changed in the outsourcing demands by those major pharma companies is their research focus. As they now have more drug products in late development stages, their outsourcing focuses have been on further developing them. As a result, the outsourcing demands by the major companies for lead discovery and/or early stage development services have become significantly decreased.
- ❖ Before the beginning of 2009, we analyzed the possible impacts of the financial crisis on the Chinese pharma outsourcing industry including each service sector and made predictions of how this Chinese industry would likely develop in 2009. Now after one year since the arrival of the crisis, it has turned out that the market development of this Chinese industry, including all its service sectors, has been well in line with our predictions.
- ❖ Although still having performed relatively well compared to many of its counterparts in the world, overall, the Chinese pharma outsourcing industry did experience a significant growth slowdown in 2009.
- ❖ The most affected sectors are the drug discovery and contract manufacturing, each having a growth rate of only about 10-12% in 2009. The growth rates of the sectors of preclinical and clinical research service still maintain at around 30% and 35%, respectively, only slightly lower than those in 2008. The entire industry has been growing in a rate of about 16-18% in 2009 and its current market value is estimated to be \$1.64-1.70 B.
- ❖ Three new factors contributed to the further growth of the Chinese pharma outsourcing industry in 2009: An increased number of R&D-focused small biotech companies coming to China for outsourcing; an increased outsourcing demand by foreign drug companies that have R&D centers/divisions in China; an increased outsourcing demand by the local domestic Chinese drug companies.
- ❖ Unaffected by the financial crisis, all major pharma companies have accelerated their investments in almost all aspects of their operation in China. They also continued outsourcing large projects to technically capable Chinese service providers.
- ❖ Also investing in China are those small, R&D-focused biotech companies. Partially because of the financial crisis, this year a growing number of small biotech

companies have decided to set up their R&D divisions in China to conduct innovative drug R&D locally.

- ❖ Meanwhile, much more multinational outsourcing service providers also entered the Chinese market this year than all previous years, all attracted by the growth potential of the Chinese pharma outsourcing market.
- ❖ Another feature of 2009 was the increased venture capital investments from international VCs in local Chinese service companies.
- ❖ Looking at 2010, the cost reduction will still be the main theme to all drug companies. They will seriously address the issues of cost-effectiveness, efficiency and productivity.
- ❖ In 2010, the outsourcing demands by the major pharma companies will remain close to the level of 2009. They will restructure their R&D divisions into smaller organizations to improve efficiency. They will also increasingly implement the new R&D model, the Networked Partnership (NP) to improve productivity.
- ❖ Most major pharma companies will still maintain their low R&D spending in early stage research and more focus on late stage development. Moreover, they will become more focused on the emerging markets to expand their market territories.
- ❖ In 2010 there will be still a mixed outlook for the outsourcing demands by the small, R&D-focused biotech companies. The shortage of venture capitals will still be an issue threatening their continual operation. Wisely spending their current cash reserves while focusing on achieving desired results will be still their main task.
- ❖ Several factors will contribute to a positive outlook of strong demand for Chinese outsourcing in 2010. The Chinese industry will still grow in an estimated rate of 20% to 25% in 2010. Its market value is forecasted to be about \$2.0 - \$2.1 B. It will be likely the first time that the market value of the Chinese industry exceeds \$2 B.
- ❖ Noticeably, major pharma companies have been changing their strategy of selecting service partners. They more prefer those CROs/CMOs that are well equipped and capable of conducting a wide range of drug R&D and/or manufacturing work. But, simultaneously, they also like to work with those that possess special techniques. Accordingly, service providers in the former class will become favored service partners and thus are able to secure large, long-term projects that may include milestones and royalties; whereas those in the latter class will become favored specialists of the industry.
- ❖ To meet the current challenges, more consolidations will likely take place in all service sectors of the Chinese industry in 2010, including mergers, acquisitions, or alliances between Chinese service providers and/or between Chinese companies and the experienced multinational service companies. More players will become stronger.

Why You Should Have This Report

- ❖ The report provides you the detailed and in-depth analysis of how the financial crisis has affected the global pharmaceutical and biotech industries and how this has affected the operation strategies of all drug companies in both industries.
- ❖ The report helps you better understand how these strategic changes will affect the outsourcing demands of drug companies. It provides you a clear direction of how the global pharma outsourcing industry will likely move in 2010 and even years beyond.
- ❖ Moreover, with our in-depth and detailed analysis of the development trends of the pharmaceutical outsourcing in China, the report provides you a well rationalized outlook of the market development in 2010 of the Chinese industry as well as all its service sectors.
- ❖ The report also helps you recognize the key future development features of the global pharma outsourcing industry including the new outsourcing models likely to evolve and the new outsourcing strategies likely to be implemented by all drug companies, both major pharma and small biotech.
- ❖ Containing a complete and detailed description of the up-to-date development state of the Chinese pharma outsourcing industry including the structure of the industry, its current service capability and market sizes, the report helps you better understand this Chinese industry.
- ❖ As it well summarizes, from a variety of points of view, all activities and major events happened to the Chinese pharma outsourcing industry in 2009, the report provides you a clear idea of how this Chinese industry has been developing and how the global pharma and biotech companies consider the outsourcing opportunities and environment in China.
- ❖ More importantly, the report includes the current top ten professional pharma outsourcing service providers in the Chinese pharma outsourcing industry, including the detailed description and company profile of each player. It will be the first time for you to know who the best players are at this moment in the Chinese industry. The report will thus further help you gain better understanding of the current development state of the Chinese industry.

About Author

Jim J. Zhang, Ph. D.

Jim J. Zhang currently is president and managing director of JZMed, Inc., a leading market research company that specializes in the market research on the Chinese pharmaceutical, biotechnology and pharmaceutical outsourcing industries. Before founding the company, Jim worked for nine years with Albany Molecular Research, Inc. (AMRI), a US-based and currently one of the world largest CROs. During his tenure at AMRI Jim was responsible for managing and overseeing multiple drug R&D projects that involved the international cooperation of AMRI's multiple sites (USA, Singapore and Hungary). He played key roles in helping numerous pharma and biotech companies discover and develop a series of drug candidates that later entered preclinical and clinical development including advanced clinical trials. He was also the key contributor to the development of chemical production process for several developmental drugs. Prior to pursuing his Ph.D. program in the US, Jim worked for six years in a China-based CMO as process engineer and developed production process for a number of pharma products.

Jim's technical expertise spans from chemical process research and development to drug discovery and development for viral infection, cancer, chronic obstructive pulmonary disease (COPD) and cystic fibrosis. Currently he holds 18 patents. He is also the principal author of 12 peer-reviewed research articles.

Jim has authored a series of industry reports about Chinese pharmaceutical outsourcing. He was also invited by a number of market research firms such as Business Insights to author/co-author industry reports.

Jim received his master's degree in Chemical Engineering from East China University of Science & Technology (Shanghai), and his Ph.D. degree in Synthetic Organic Chemistry from the University of Iowa. He also received additional trainings in Medicinal Chemistry through working at Research Triangle Institute (Research Triangle Park, North Carolina).

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About JZMed, Inc.

JZMed, Inc. (www.jzmedi.com) is a leading market research company that specializes in market research on the Chinese pharmaceutical, biotechnology and pharmaceutical outsourcing industries. The company's primary focus is to provide intelligence and market research services to global pharmaceutical and biotech companies to help them tap the resources in the Chinese pharmaceutical industry and explore the opportunities in the Chinese pharmaceutical market. Meanwhile, it also provides assistance to these companies to facilitate their entrance into the Chinese pharmaceutical market or collaborations with any Chinese companies. The company has provided this type of services to a variety of companies worldwide including those world major pharma companies. It also has a network of preferred pharma and biotech companies in China.

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