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Takeaways from Inaugural Morgan Stanley China Biopharma Symposium

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We attended the inaugural Morgan Stanley China Biopharma Symposium in Shanghai on June 17-18, themed "Bridging Biopharma Frontiers: China and Global Innovation". The event gathered representatives from 50+ China biopharma/biotech, 20+ global pharma and 10+ PE/VC investors. Below are our takeaways.

Key Takeaways

- Global recognition of China innovation is moving beyond engineering "ADCs/ bsAb/GLP-1s" to more modalities, disease areas and next-gen technologies.
- Correspondingly, BD deal models are broadening from pure out-licensing to NewCo, co-co and strategic partnerships to better unlock asset value.
- Clean IP, corporate structure and globally translatable clinical development strategies are additional factors to consider when preparing for globalization.
- AI-driven drug discovery is shifting from platform narrative to asset generation, as vertical players integrate AI, automation, and biology.
- Hengrui offers a good example of China biopharma globalization, underpinned by end-to-end development capabilities and monetized via versatile BD models.

1) China Biopharma Innovation 2.0 Beyond ADCs, Multispecific Antibodies and GLP-1 Drugs: Innovation 1.0's core advantages – engineering capability, low development cost, and execution speed –validate China's role in global drug R&D. That said, global pharma and PE/VC representatives also credit China biopharma's shift from "fast-follow" to more differentiated biology and modalities. First-in-class innovation is emerging, although still early, and still carries high biology risk that investors may not have fully appreciated. The senior PE/VC investor panel highlighted opportunities in: (1) Ultra-long dosing platforms for chronic diseases, (2) extrahepatic delivery (e.g., siRNA and saRNA), (3) oral alternatives to biologics/ peptides, (4) *in vivo* gene editing, and (5) cell therapy – across oncology, CNS, immunology and inflammation, and other therapeutics. Geopolitical risk remains an uncertain factor to monitor. However, participants at the symposium generally hold the view that asset-level licensing appears relatively safe vs. M&A, provided corporate and IP structures are diligence-ready.

(continued in next section).

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2) Structuring Win-win Partnerships: The broadening of BD deal models is discussed in multiple panels. Traditional out-licensing remains the predominant model, particularly suited for clinical-stage assets with better-understood development strategies. Meanwhile, NewCo, co-co and strategic collaborations are rising as global pharma gradually builds confidence in China's discovery platforms to source earlier-stage assets. Speed, responsiveness and process discipline are critical in deal negotiations, alongside regular partner engagement and a professional BD strategy. Monetary terms aside, global biopharma buyers focus on intrinsic asset value, strategic fit and risk-adjusted milestones, while China biopharma/biotech sellers also increasingly weigh strategic fit and partner commitment alongside headline financial terms. Common "deal-breakers" cited by global pharma include weak scientific rationale, immature data, IP risk, poor global translatability, CMC uncertainty and complex cross-border structures. For China companies, the best preparation is to design clinical studies with BD prospect in mind: elect to use high-standard control arms, ensure data can migrate into US or global regulatory packages, include diverse patient representation where possible and keep IP ownership simple and diligence-ready.

3) AI-Driven Drug Discovery in China: AI-driven drug discovery in China is shifting from platform narrative to clinical-ready asset generation, supported by a combination of foundation models, robotic labs, and AI-enabled antibody design. The strongest and more mature value proposition is compressing the path from hit identification to lead generation and optimization (e.g., an AIDD player shortened the process to ~9 months). China benefits from its large engineering talent pool, efficient CRO infrastructure and rapid wet-lab execution, complementing the AIDD to close up the drug discovery loop. Key bottlenecks in AIDD include proprietary data access (including failed datasets) and biology knowledge. AIDD companies that can integrate AI, automation, translational biology, and credible internal assets into clear monetization models are likely to enjoy a higher competitive moat, while pure model companies without asset validation may face increasing competition.

4) Hengrui as a Key Globalization Case Study: As the largest biopharma company in China, Hengrui's senior management presented its globalization path, offering a lens into how a leading China pharma could leverage domestic development and commercial strength to quickly expand global presence via versatile deal models, unlocking asset and platform potential. In particular, Hengrui's first NewCo, "Kailera", for the GLP-1 franchise (note) – one of the largest NewCo transactions led by a Chinese pharma – raised two rounds of private financing followed by NASDAQ IPO in 18 months. Hengrui retains long-term equity upside in addition to typical milestone/royalty payments. In addition, Hengrui has secured two broad strategic collaborators with GSK (note) and Bristol Myers Squibb (note), for a package of early Phase I, pre-IND and discovery-stage assets. The co-co arrangement can leverage each party's expertise to address target-, development- or commercialization-related bottlenecks, speeding up time to clinic.