BioSpectrum
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Recession slows down industry growth in APAC

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Life science industry in Asia Pacific has encountered its first speed breaker year in 2008 and the outlook for 2009, though positive, is not particularly optimistic. Year 2008 was a year, when one expected that the critical mass life science industry had gained in 2007 will show great results, but uncertain economic climate and the currency fluctuation took its toll. However, it is worth mentioning that the situation is not as bad as some other industries. The overall outlook is still positive.

The industry, which according to BioSpectrum estimates was pegged to grow at 13 percent in 2008 has registered an overall growth of 3.5 percent clocking $107.21 billion in revenues. This figure includes total revenues from sales, licensing, and service income of the companies in the Asia Pacific region, excluding Japan.

The scope of the survey is limited to core life science companies spanning the segments of pharmaceuticals, biotechnology and medical devices across Australia-New Zealand, China, India, Malaysia, Singapore, South Korea and Taiwan. General healthcare and equipment providers are excluded from this survey. The BioSpectrum research team has used its discretion to make some exceptions to these exclusions keeping in view the industry landscape in various countries.

The countries where exceptions have been made include China, Taiwan and Malaysia. While the survey spanned all the publicly listed life science companies across stock exchanges in Asia the estimations on private companies was arrived at by a sample survey across countries, corroborated with market estimates from the various industry associations in respective countries.

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(*for the year April 2007-March 2008)

The industry gets hit by slowdown, grows at 3.5%, clocks a total revenue of $107.21 billion
Industry growth in 2009 is pegged in the range of 3-5%

Chindia accounts for 52% of the Asia Pacific life sciences industry

The revenue figures across these Asia Pacific markets were standardized to US dollars and the calendar year to arrive at the estimates and company ranking. The growth has been estimated factoring in currency fluctuation, which is a global market reality today. (BioSpectrum Asia Pacific Survey 2008 does not use constant dollar rate.) Currency fluctuation has resulted in many of the companies showing a negative growth when standardized to US dollar. The statement applies more to South Korea than any other country.

The research team at BioSpectrum estimated the industry figures by extrapolating the data available from the survey of the public listed companies in the region and corroborating it with the data available from the various research reports, and country statistics released by various government agencies and industry experts. BioSpectrum estimates the growth in 2009 to be in the range of 3-5 percent. The economic climate is unlikely to show substantial change until 2010.

In 2008, of the total industry revenue of $107.21 billion about 78 percent came from pharma and pharma outsourcing services. Medical technology accounted for 12 percent, followed by biotech at 10 percent. In terms of segment share, a trend that is likely to pick up in the years to come is the increasing biotech share in the overall revenue. In 2008, the biotech share in the revenue increased by 2 percent marking the beginning of the shift.

China & India led the growth making up for 52 percent share of the overall revenue with China clocking $33.23 billion and India following it with $22.51 billion. This was followed by Singapore, South Korea, Australia-New Zealand, Taiwan and Malaysia in that order. Singapore has shown a remarkable increase of close to 3 percent over its share in overall revenues of 2007. This is the highest increase recorded among the countries. The island nation's biomedical infrastructure investment is beginning to record good returns from this year. In 2008 survey Australia and New Zealand have been clubbed together making up for 12 percent in the overall pie with New Zealand accounting for 1.3 percent share.

The revenues of the 273 publicly listed companies account for 30.72 percent of the overall revenue of $107.21 billion. India led the region clocking $14663.37 million, making up 44.29 percent share of the publicly listed companies' revenue. China became a distant second with 18.57 percent share in close contest with Australia's 18 percent share. It was followed by South Korea, Taiwan, Malaysia & Singapore.

The Top 3 companies CSL and Sigma Pharmaceuticals of Australia and Ranbaxy of India made up 36.25 percent share of Top 20 companies generating over $6 billion of revenues during the calendar year 2008. It accounted for 18.51 percent share in the overall revenue of public listed companies.

In the Top 20 list the top 5 companies accounted for close to 50 percent revenues. However, in 2008 most companies registered a decline in revenue growth with only 6 of the Top 20 companies recording a positive growth. In fact, due to pricing pressures and currency fluctuations about 50 percent of the companies surveyed showed negative growth. Of this most notable was Mindray Medical of China that grew over 75 percent to improve its ranking by a great leap to 9th position from the last year's 20th position. Wockhardt of India grew over 60 percent only to retain its 8th rank in the list. China Pharma Group made it to Top 5 with a growth of 38.2 percent India's Ranbaxy Laboratories, which was acquired by Daiichi Sankyo, even though declined marginally improved its position to Rank No 4 largely helped by the slow growth of its closest competitor in India Dr Reddy's Laboratories. The Top 20 companies list was dominated by pharma and biopharma companies with the exception of China's Mindray Medical and Australia's Cochlear.

In 2008, South Korea made it to the list with 4 companies-Dong-A, Yuhan Corporation, Hanmi Pharmaceutical, andDaewong Pharmaceutical. India dominated the list with 9 companies.

Revenues from the companies listed on Indian stock exchanges made up 44.29 percent share of the total publicly-listed company revenues. This was followed by China and Australia with about 18.57 percent and 18 percent share respectively. South Korea made up for 15.26 percent.

In 2008, four companies made it to the billion dollar club, with Top 2 CSL and Sigma from Australia having revenues in excess of $2 billion. The next two companies Ranbaxy and Cipla of India made it with a little over a billion. The year also saw 6 new entrants split between China & South Korea make it to the Top 20 list. A strong indication of the growth in these countries.

From the 273 publicly-listed companies surveyed only 15 had revenues in excess of $500 million. However, the number of companies with revenues in excess of $100 million grew to 76, quite an improvement over last year's figure of 52 companies.

Overall, the publicly listed companies averaged a growth of 11.64 percent. In 2008, at the regional level for publicly listed companies China became the fastest growing market showcasing a percentage change of 45.93 percent. Malaysia followed in with 32.21 percent growth and Singapore companies averaged a growth of 23.32 percent. Taiwan companies also grew over 13 percent. Australia and India did not average to a double digit growth dragging down the overall performance.

Looking at the growth of revenue blocks, in South Korea companies below $10 million revenue grew at phenomenal 125.68 percent. While in Australia it was the companies in the range of $11-$50 million that showed a growth of over 40 percent. However, for companies in the range of $300-$600 million the large countries Australia, India and South Korea showed a drop while China recorded a growth of over 30 percent. Australia also averaged a decline for companies with revenues in excess of $600 million.

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