Nisa Leung – Managing Partner, Qiming Venture Partners

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Managing partner Nisa Leung co-founded three healthcare companies before starting the venture capital firm Qiming Venture Partners, a pioneer in China that has backed over 530 fast-growth companies, including Xiaomi, Gan & Lee, Tigermed, reflecting its strength in identifying innovative startups. She outlines the growth of the Chinese healthcare industry over the past two decades as it went from the world's eighth largest market to become the second, discusses the reasons behind that prolific growth and explains the challenges for start-ups beyond mainland China.

How did you come to enter the Chinese healthcare venture capital space and where does your firm, Qiming Venture Partners, stand today?

My career started in the Bay Area of San Francisco after studying at Stanford. In 2002, I moved to China and co-founded three healthcare companies – Shanghai's first private cancer hospital, China's first specialty pharma company for CNS and oncology, and a cancer-focused medical device business.

Then in 2006, I started Qiming Venture Partner healthcare practice. We invest at early and growth stage into outstanding companies and are focused on Tech and Consumer (T&C), and Healthcare.

Back then, Qiming was a pioneer venture capital investor in China, and a notable early backer of companies that are industry leaders today: Xiaomi, Gan & Lee, Tigermed to name a few. Tigermed as an example followed a journey from a HKD 30 million startup back then to China's largest contract research organisation (CRO) today with over 12,000 employees around the world.

Since our inception in 2006, we have backed over 530 fast-growth companies to date – primarily in China – 70 of which have become unicorns. We have taken over 200 of our investees to exit through listing across exchanges in the US, Hong Kong and China, or through M&A and other means.

Given the low chances of success for early-stage start-ups and the risk-averse investment culture in Asia, how have you managed to attract investors to work with Qiming and what is the geographic spread of the firm's investor base today?

We have established long-term relationships with many prominent US and European institutional investors, thanks to our solid track record. Their long-term outlook is crucial in life science VC funding. Our first USD fund was raised in 2006 at USD 180 million. Today, we manage eleven US dollar funds and seven RMB funds with USD 9.5 billion total capital raised. Our latest USD fund raised in last year alone reached USD 2.5 billion.

While we remain dedicated to both healthcare and T&C sectors, the proportion of our healthcare investments for our recent funds has significantly increased. This represents a reversal of the main investment areas compared to when we started out. 200 out of our 530 portfolio companies are in healthcare, representing 65 percent of our funds in angel or series A rounds. This is more than most VCs and reflects our strength and ability in identifying innovative startups very early.

Very often, early-stage startups perhaps only have a few employees at the time when we invest. We support them through their journey along the way. We selectively invest in subsequent rounds.

In what types of healthcare company is Qiming focusing its funding efforts today?

Qiming's 200+ healthcare portfolio companies are primarily focused on therapeutics, medical devices, diagnostics, healthcare services and health tech.

In 2006, China was the world's eighth largest healthcare market in the world; now it is the second. Life science companies in our portfolio also have grown in tandem with the healthcare ecosystem and broader market growth in China.

Investors in the US and Europe are today looking to fund first-in-class innovations. How do the profiles of the healthcare businesses in which Qiming is investing in China compare?

We have witnessed and participated in the prolific growth of the Chinese healthcare industry over the past two decades. When we started out, China’s healthcare lacked many basic services – no diagnostic companies, no world-class hospitals, no endoscopy sites, no cardiovascular services, and no vaccine companies. Our strategy involved looking to fund companies that met these needs.

For example, every country has a child vaccination program, but it was almost non-existent in China at the time, mainly due to costly imported vaccines and poor-quality local substitutes. So we invested in a local company to meet that need. Today, many of our portfolio companies are leaders in their respective fields, with competitive products, prominent market share and strong pricing power.

How would you assess the market and environment for healthcare in China today? How conducive is it to accomplish a solid market strategy for biotechs?

Product development and market access costs are relatively lower in China, thanks to lower wages and China’s large, centralized national hospitals. To put things into perspective, one cardiovascular hospital we work with conducts more stent surgeries than the whole of California. This means if a company can win that hospital’s business, it would have won a very large contract without needing a large team.

Also, product pricing can be centralized in China, leading to higher volumes at lower prices. On the flipside, companies can go case by case to each hospital and negotiate for a higher price. But this may inevitably lead to lower volumes. Each company will have to tailor their market strategy appropriately.

Since Hong Kong Exchanges and Clearing Limited (HKEX) added Chapter 18A to its main board listing rules in April 2018, allowing biotech companies with no revenue or profits to be listed for the first time, healthcare start-ups in the region now have more options

than ever when they reach the IPO stage. How do you help companies choose in which location to list?

Since March 2020, we had 41 IPOs from our portfolio companies, 35 of which are in biotechnology and healthcare, spanning across NASDAQ, HKEx and the A-share market in China. We expect another 20 to 30 IPOs in the next 18 months.

We are in a fortunate position where we can evaluate and decide our exit venues as conditions change. For example, for companies to list via Chapter 18A in Hong Kong, at least one asset must be in Phase II clinical studies, whereas the Shanghai Stock Exchange requires at least one asset in Phase III trials. NASDAQ has no such requirements, so IPO candidates can file for an IPO with assets only in the pre-clinical phase. We work with banks that have top-notch healthcare bankers, as they see healthcare as a growing and critically important area in both China and globally.

Qiming has long had a strong footprint in mainland China, but are Hong Kong companies also on your radar?

We are always looking to invest in companies that are the best in what they do, irrespective of location. For example, we were an early investor in Hong Kong-based Insilico Medicine and have worked with its CEO, Alex Zhavoronkov, on several critical steps along the way, including relocating from the Greater Bay Area to Hong Kong. In November 2022, the company signed a collaboration agreement with Sanofi that could be worth up to USD 1.2 billion including milestones and royalties. The company’s Generative AI drug discovery platform will develop up to six targets with plentiful potential use cases in the future.

There are many challenges that life science startups in Hong Kong must embrace. For instance, the city has four Phase I clinical centres but no good manufacturing practice (GMP) lab. Also, Hong Kong has a lot of world-class professors, but they may lack of experience in translational research, which hinders their R&D work from reaching the clinic.

Is anything being done to put this GMP lab in place?

One of our portfolio companies, which spun off from the Shanghai Institute of Medicine and operates in preclinical toxicology, has recently set up a JV with the Hong Kong Science Park. They have constructed and will operate Hong Kong’s first GMP lab. They have already conducted some

700 clinical studies, and have won Chinese, US and European certifications. Now, they are building their team here to undertake clinical research in Hong Kong. Clinical trials are a good first-step for the next stage development to build a biotechnology ecosystem. Exciting times are ahead.

The life of a VC company is always about looking to grow the next fund. When will the new round close?

We just closed 2 new funds early this year and last year for about USD 3.5 billion equivalent – 70 percent of which will likely be invested into life sciences and healthcare.

During COVID, many nontraditional investors and crossover funds invested into healthcare companies, driving valuations to unreasonably high levels. With the adjustments in public valuations, we are seeing a much more attractive value propositions for private rounds as there are still so many unmet medical needs and many of our companies are playing and increasingly important role in developing affordable innovative drugs and devices globally.

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