Allen Li – President, Cytiva in China



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Cytiva is a global leader in bioprocessing technologies and services that support the manufacturing and research of biopharmaceuticals. China is a key market in the company's growth story, where - as President of Cytiva in China Allen Li notes - it has shifted from simply offering superior products to engaging deeply with the local biotechnology landscape. Li also highlights China's crucial role as a springboard for regional and global biopharmaceutical development, the importance of local collaboration and technological integration to enhance global healthcare solutions, and how Cytiva works to nurture a dynamic local biotech environment amidst financial constraints and evolving market dynamics.

Can you provide an overview of your journey into the life science industry and your transition to Cytiva?

I joined Cytiva on March 1st, less than two months ago, but it already feels like home! Having spent many years on this campus under GE's ownership, including two years with Danaher Life Sciences managing the P&L, I'm no stranger to the environment. Prior to that, I held leadership roles in Danaher's Pall Corporation in China and briefly in Digital Printing Solutions. This marks my fourth role within Danaher in six years. Returning to Cytiva feels fortunate, especially after my 12-year tenure with GE, where I wasn't in healthcare but rather in transportation and oil and gas.

Cytiva’s roots trace back to Danaher’s acquisitions, notably Pall Corporation in 2015 for USD 14 billion and GE Healthcare Life Sciences Bio-Pharma Business Unit, now Cytiva, in 2019 for USD 21 billion. The acquisition process took about a year due to its scale. Cytiva became an independent company within Danaher, leading to the establishment of the Danaher Biotechnology Group. This group, with Cytiva as its flagship brand, is entirely focused on life sciences and biopharmaceuticals, dedicated to innovation in therapies and saving lives.

Presently, Danaher is structured into three significant business groups. First, there’s Cytiva, our biotechnology arm. Then, we have the life sciences group, encompassing tools for genomics and filtration solutions for industrial applications. Lastly, we have the diagnostic group, focusing on innovative technologies for hospital environments. This structure positions Danaher as a pure play for healthcare-related businesses, enabling us to thoroughly understand and address specific diseases from drug discovery to diagnostic perspectives. It’s an exciting journey, one that led us to upgrade our brand last year with a new identity and tagline, “Innovation at the Speed of Life.” Our focus remains steadfast on human health, leveraging biopharmaceuticals, life sciences, and in vitro diagnostics to tackle critical health challenges.

Could you elaborate on the evolution of capabilities of China’s life science industry that you are serving and the necessity for a holistic enterprise perspective to compete effectively in the market?

The pace of change within Danaher serves as a barometer for the evolving landscape, particularly in our China strategy over the past six years. This journey is intricately linked to the evolution of China’s business model and economy over the last two decades. Previously, simply offering a superior product in China would attract customers, but now, with a maturing local industry and increasingly discerning Chinese consumers, multinational companies must demonstrate their value through technology, services, and expertise. This necessitates a fundamental shift in approach, where companies must invest significantly in capabilities beyond sales and marketing to truly succeed in this dynamic market.

The evolution of capabilities from a focus on sales to a broader enterprise perspective reflects the shifting dynamics of the industry. In today’s landscape, understanding customer outcomes is paramount, necessitating a comprehensive approach that considers the entire value chain. This transition is particularly pertinent given the rapid growth of the biopharmaceutical industry in China. While we may currently rank as the second-largest market by volume, it’s evident that we’re

on track to claim the top spot soon. The scale of China's population, coupled with significant advancements in healthcare, especially in areas like cancer treatment and rare diseases, underscores the importance of prioritizing China as a key market. Despite the challenges posed by geopolitical factors and intense competition from local players, the dynamism and innovation within the Chinese ecosystem present tremendous opportunities for growth and collaboration. As multinational companies, we must not only localize our operations but also recognize and leverage the unique strengths and perspectives of our Chinese counterparts. This collaborative approach, encompassing various stakeholders such as regulators, healthcare practitioners, and technology providers, fosters a robust ecosystem aimed at addressing critical health challenges efficiently and effectively.

One simple example of the conducive environment in China is that of CAR-T therapies, where there is more rapid development and implementation than in many other parts of the world. Currently, the number of Investigator-Initiated Trials (IITs) in China is growing rapidly, transitioning from double to triple digits. Hospitals are also actively engaged in exploring novel treatments, leveraging cutting-edge science to address pressing health issues. So these are areas where Cytiva can contribute to accelerating scientific development and ultimately helping patients.

Could you provide an overview of the offerings within Cytiva's portfolio and highlight its key strengths?

Cytiva's portfolio is organized into four distinct operating companies, each catering to specific needs within the life sciences industry. Firstly, our Bioprocess arm offers comprehensive solutions ranging from upstream to downstream processes, including hardware, consumables, resins, filtration, and cell culture media. This suite of offerings is tailored to meet the requirements of both bio-pharmaceutical and biotech companies. Secondly, our Discovery and Medical operating company focuses on supporting research institutes and universities during the discovery and R&D stages. Here, we provide scientific tools related to protein research, chromatography, and filtration to enhance scientific endeavours. The third operating company, Genomic Medicine, consolidates various technologies related to novel therapeutics, such as oligo technology and viral vectors, to facilitate advancements in gene and cell therapy. Lastly, our Biotechnology Integrated Solutions operating company offers a range of unique services and total solutions, including the FlexFactory, which enables customers to establish complete bio-pharmaceutical plants. This offering has seen significant success in markets like Japan and India, with China boasting the largest install base and fleet for both FlexFactory and KUBio, making it a crucial regional market for us.

Our clients include companies like Biogen, Lonza, and Wuxi, among others. These are just a few examples of the organizations we work with across the industry. Building FlexFactory solutions is one of our specialties. We approach it like assembling Lego blocks, helping our customers integrate all the components seamlessly. We often refer to it as a turnkey project, This capability stems from our team's strong technical expertise, which I believe sets us apart from our competitors. Our Biotechnology Integrated Solutions operating company, housed in an 11,000-square-meter facility with GMP capabilities, offers services like KUBio, FlexFactory, validation, and FastTrack process development, CDMO and talent training services. With four GMP modules and a dedicated team of around 50 scientists, I would argue it's one of the best developmental capabilities in Asia.

As China continues to lead the charge in biopharmaceutical industry development, our facility not only enhances our offerings for local clientele but also positions us to effectively serve the broader regional market, catalyzing advancements in healthcare on a global scale.

If China's facilities can serve as a regional springboard and given that partnering is key to success in the Chinese market, the question of transferring IP will of course be high on the agenda. How do you assess concerning factors like IP protection?

The level of trust within the Chinese-based biopharmaceutical industry has undergone a significant transformation in recent years. Previously, concerns over IP protection and other elements may have led to hesitancy in forging partnerships. However, the emergence of brands like Cytiva has become a significant factor in underpinning trust within the industry. Regarding IP protection, it's essential to recognize that Chinese companies are increasingly investing in building their own IP capabilities. Rather than viewing this as a threat, it's an opportunity for us to reinforce our position by continuously leading in the development of next-generation products and technologies, thereby bolstering our IP portfolio. At Cytiva, we have robust frameworks in place, including dedicated IP lawyers and consultants, to ensure the protection of our intellectual property. Ultimately, Cytiva plays a pivotal role as an enabler within the biopharmaceutical industry in China, facilitating growth and innovation within the sector.

Part of Cytiva's mission is to nurture a dynamic local biotech environment. How can you do that, taking into account the current financial constraints many of the local biotech are witnessing?

It’s important to consider the broader context of nurturing emerging players within the Chinese biotech landscape, especially given the current financial climate. I believe the cyclic nature of the industry isn’t necessarily negative, as it tends to weed out weaker players and strengthen the overall ecosystem. This underscores the importance of resilience and adaptability among biotech companies. Moving forward, it’s crucial for biotech firms to focus on their core programs and demonstrate strong clinical outcomes. Those able to showcase robust clinical results are more likely to attract investment and sustain their operations amidst financial challenges. Conversely, companies that struggle in this aspect may face greater difficulties. Therefore, it’s essential to prioritize clinical success as a key factor in navigating the complexities of the current financial landscape.

The recent acquisition of four Chinese biotech companies by global pharmaceutical firms this year has been a notable development. These acquisitions, involving significant billion-dollar deals, underscore the increasing recognition of the value within the Chinese biotech sector by large global players. It’s indicative of the quality and potential of these Chinese biotech firms, prompting global pharmaceutical companies to pursue acquisition strategies to leverage their capabilities and technologies. Interestingly, many of these acquired companies have utilized Cytiva products and processes to a certain extent, highlighting our involvement in their journey. We are closely monitoring their progress and remain keen to see how these acquisitions will further shape the landscape of the biopharmaceutical industry.

What is Cytiva’s global approach to mergers and acquisitions (M&A), particularly concerning the Chinese market? Have there been considerations for M&A to enhance localization efforts, or does the company prioritize internal development over acquisitions?

Our approach to M&A in the Chinese market is strategic and multifaceted. While we recognize the need to accelerate our localization efforts in China, M&A is just one of the avenues we’re exploring. We also leverage line transfer, open innovation, joint ventures, and other tools to achieve our localization goals effectively. Over the past four years, we’ve completed one significant deal in China, acquiring a single-use technology factory in Beijing. This acquisition has transformed into a major supply base for single-use technology, not only in China but also across Asia, demonstrating significant operational success. While we take pride in this achievement, we remain open to exploring various possibilities for growth, with M&A serving as a key driver in our expansion strategy, much like Danaher’s approach on a global scale.

Asia is contributing to roughly 40 percent of the company's growth, so there has been a significant evolution in our approach to China within the Cytiva leadership team. Previously, China was part of a broader scope, but now it has been elevated to an independent and standalone operating company. This strategic move underscores the increasing importance and significance of China as a key market for our future endeavors.

Looking ahead, how do you anticipate China's contribution to the overall business in the coming years?

In terms of China's role within our global portfolio, we expect it to remain a significant contributor, although perhaps not at the heightened levels experienced during the peak of the COVID-19 pandemic. We recognize that such extraordinary growth was not sustainable and that we should aim for a more consistent trajectory. Looking forward, China's market potential remains compelling, driven by factors such as its large and aging population. We anticipate sustained high single-digit growth over the long term.

As we focus on enhancing our localization efforts, our current localization rate remains relatively low. However, we are determined to substantially increase this percentage in the near future. Our aim is not solely to benefit China but to support the entire group. Just as Chinese companies in various sectors are becoming global players, we recognize the importance of serving our top customers not only domestically but also on the global stage. Looking ahead, we believe that our entrepreneurship mindset will serve as a sustainable driving force within our industry. Our dedication to addressing challenges and solving problems with a focus on patient care underscores our commitment to advancing Cytiva both in China and globally. Through strategic acquisitions like Pall Life Sciences we are assembling an unparalleled end-to-end solution that empowers our customers to bring novel therapeutics to fruition with unprecedented speed and efficacy.

What message would you like to convey to the life science community regarding China's role as a developer of medicines?

I would advise not to be swayed by surface-level perceptions. To truly understand the industry's pulse, one must immerse oneself in the country and engage with customers and companies firsthand. We trust what we witness on the ground, where real value is created. Despite short-term uncertainties like geopolitical tensions, we remain confident in China's long-term prospects. With a focus on addressing the healthcare needs of its vast population and a thriving entrepreneurial

ecosystem, China presents significant opportunities for Cytiva’s differentiated offerings and sustained success.

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