Interview: Ming-Chu Hsu – Chairman & CEO, TaiGen, Taiwan

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The Chairman & CEO of TaiGen Biotechnology discusses the growth opportunities that the company holds in China, its main target market, and documents how her long-term strategic outlook made the company one of the most successful biotech companies in the region today, holding an unrivalled experience and unique positioning in the world's second largest pharmaceutical market.

You created TaiGen Biotechnology 15 years ago, what is for you the most meaningful achievement so far?

Although every single step of TaiGen's development has been meaningful for us, a significant milestone was how we strategized our approaches tailored to individual markets. As market requirements between Taiwan and China differ just as much as they differ to the US, I was often asked why I set up TaiGen in Taiwan, especially considering that TaiGen has the structure of a typical US biotech company.

My overarching goal has always been to secure market share in the rapidly growing Chinese pharmaceutical market. Notwithstanding the fact that I was born here, Taiwan offers the geographic advantage of proximity to China, which significantly increases the efficiency of our processes. At the beginning of 2001, I noticed that the use of pharmaceuticals in China was becoming similar to Taiwan but with a ten times higher growth rate potential. Between 2001-2003,

China reached 10-15 percent growth, which is incomparable to any other market in the world. Considering this constant growth and lower cost of entering the market when compared to US, we decided to enter China in 2001. If you look at China now, it is already the world's second largest pharmaceutical market and will continue to grow together with the country's economy.

We recognized the opportunity in China in the early 2000s but not being familiar with the infrastructure in the local market made this a challenging endeavor. Nevertheless, today TaiGen has made its own way into the Chinese market. I do not know any other R&D-driven, Taiwan-based company that has done that before, while we have now proven that TaiGen holds experience and the expertise needed to bring innovative pharmaceutical products into this rather challenging ecosystem.

In this regard, I am particularly proud we have been able to attract a high number of PhD holders and create a vast talent pool within TaiGen throughout the years. Our team moreover is truly multicultural and thanks to the executive management's experience in big multinational pharmaceutical and biotech companies, we quickly built the know-how required to develop drugs, gain regulatory approvals, and commercialize products in China. Now, TaiGen has very efficient operational processes developed in-house and strategic capacity to innovate and manage risks.

As China is your target market and TaiGen already holds a subsidiary there, why did you sign a 20-year licensing deal with Zhejiang Medicine instead of starting to develop a more integrated operation in China based on your own sales and marketing channels?

[Featured_in]

Our expertise is R&D. To cover the whole Chinese territory with a strong marketing and sales footprint would require at least 300 people, while TaiGen's subsidiaries in China are only responsible for clinical trials and interactions with CFDA. If we were to become a market leader all on our own, we would moreover need to face very complex procedures which require a lot of resources that TaiGen does not have at this moment in time. Thus, we decided to fully leverage our R&D capabilities and foster partnerships with distributors worldwide for the marketing of our products. In Taiwan however, as a smaller market of course, we can market our products by ourselves without relying on such partnerships.

On the other hand, China's regulations and specificities have greatly improved over the years. The government has been increasing healthcare expenditure and becoming more supportive towards the industry while an increasing number of international companies is coming into the country. Additionally, government has been rising up the bar in terms of IP protection and CFDA

requirements. Now, TaiGen has earned its reputation in China, as we built credibility and trust over many years of high quality submissions to the CFDA.

Another exciting news for TaiGen is the recently announced joint-venture with Hong Kong–listed YiChang HEC ChangJiang Pharmaceutical for treatment of chronic hepatitis C in the Greater China region. What was the rationale for establishing this new company, which will be the first of its kind in a cross-strait partnership in the pharmaceutical industry?

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China is home to 25 percent of all hepatitis C patients worldwide, making the country a 40 million-patient market in this therapeutic area. As new generation drugs from foreign pharmaceutical companies are not widely available in China and still strictly controlled, the government has turned to local and regional companies to supply life-changing treatments.

After having been implanted in the country for more than 15 years and owning a subsidiary in Beijing, TaiGen is considered something akin to a local company in China, where we were granted a CTA (clinical trial authorization) approval of TG-2349 (Furaprevir) back in August 2016. When HEC Pharma approached us, we spent quite some time performing a diligent scientific analysis. In the end, we reached the conclusion that the cocktail treatment that we are developing right now can work, while setting up a joint venture could help us speed up the time to market.

As part of this joint-venture, TaiGen will be responsible for research, clinical development, and registration and HEC will be responsible for operation, manufacturing, sales and marketing of the HCV treatment based on Taigen’s furaprevir and HEC’s yimitasvir.

A lot of Taiwan-based, R&D-driven companies are now targeting the US market. Shall we expect TaiGen to broaden the scope of its international ambitions in the mid term?

Talking about international markets, we could have put more resources and research into compounds such as Burixafor *[TaigGen’s novel, potent and selective chemokine receptor antagonist, e.d.]* but – taking into account the competition in the different therapeutic areas – we decided to prioritize Taigexyn® *[a novel antibiotic for the treatment of bacterial infections including those caused by drug-resistant bacteria]* and Furaprevir *[HCV NS3/4A protease inhibitor, e.d.].*

In the meantime, some of the specificities of the Chinese markets are also particularly interesting from a sales standpoint. Taigexyn®, for example, can target both pneumonia and skin infections, a

market worth USD 1.2 billion globally. Entering this therapeutic area costs a lot of money and to receive constant cashflow from sales will take another five to seven years. Moreover, our patent protection expires before 2030. Nevertheless, in China, the market continues to grow even when the patent expires because Chinese prefer branded drugs. Considering my obligation to investors, I need to make financially sensible decision. Accordingly, China seems like an obvious choice ensuring long-term revenue growth.

What are your strategic priorities to nurture the long-term growth of the company?

As Chairman and CEO, my focus is always long-term. At the moment, we are building a promising pipeline to ensure the overall value of the company is reflected in the stock prices.

The biotech stock market in Taiwan is very attractive at the first glimpse, however, when compared to foreign markets, there is no rationale for stock prices for biotech companies. When stock markets all around the world crash, Taiwan’s is somehow continuing to grow. TaiGen had a very successful IPO, we raised USD 30 million and could probably have raised even more.

In the grand scheme of things, the possibility to develop a new drug in Taiwan and bring it into such a strategic market as China is particularly exciting. We have now accumulated years of experience that provides us with a unique access to the Chinese pharmaceutical market and stakeholders and puts us in the interesting position to be able to help western companies to get into China.

Drug development brings a lot of opportunities and challenges; my personal goal however is to successfully develop and launch innovative, life-changing drugs into the Chinese market and to make sure that local patients can afford them.

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