Michael Zhang – Chairman, Peijia Medical, China

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Michael Zhang, chairman of Peijia Medical, shares Peijia Medical's mission to become a two-platform medical device company as well as the partner of choice for physicians in China and globally. Peijia Medical's recent achievements include a Series C round, of over USD 100 million, and the successful completion of clinical trials for their TaurusOne transcatheter aortic valve system.

Dr Yi, could you start by introducing your background and the story of Peijia Medical to our international audience?

After graduating in 1988 from Zhejiang University in China, I moved to the US to pursue a PhD degree in polymer engineering. After finished my PhD study, I lived in California a few years working for Medtronic and Guidant (now Abott Laboratories).

I returned to China in 2002 to become the CEO of Microport until 2006. In Microport, we successfully introduced domestic cardiovascular devices, like coronary drug eluting stent, to become dominant players in the Chinese market. When we first started, domestic products in the stent market had a very small market share. By the end of 2006, we had over 60 percent market share. This means we managed to beat all MNCs including my old employers, Medtronic and Guidant.

After Microport, I joined Otsuka Pharmaceutical's China Investment company – one of the largest pharma companies in Japan. At Otsuka, I helped to establish and became Chairman of the medical device division, whose headquarter is in Tokyo.

In 2012, I decided to start my own company focused on structural heart diseases, Peijia Medical. We are dedicated to developing interventional valves for valvular disease treatment. Last year, we merged with Achieva Medical, a neurovascular device company focused on treating hemorrhagic stroke and ischemic stroke. We are now a two-platform company with the ability to develop both heart and neurological devices.

What have been the main challenges you have faced since joining Peijia Medical?

There are many challenges for a start-up company. However, the main challenge is to keep our faith. At that time, all valve replacement surgeries are carried out by cardiac surgeons by open-heart surgery – where you have to cut the chest open to performing surgery on heart, valves or arteries of the heart. Today, a catheter with a valve can be inserted into a femoral artery for the valve replacement. This means the patient does not have to go through major open-heart surgery.

In 2012, most physicians were doubtful about this technology –the TAVR catheter has a diameter of around 6mm to 8mm, which at the time seemed too stiff and large for the procedure. We never gave up and are very persistent on our development.

Over time, publications and successful clinical trials started piling up, which proved that the technology was in fact effective. This convinced physicians and investors.

Chinese doctors and patients are known to prefer branded products over 'local products'. Is this a challenge for Peijia Medical?

As a matter of fact, no MNC product has yet entered China in the transcatheter aortic valve (TAVR) field. Peijia Medical is developing TaurusOne TAVR system. TAVR is a minimally invasive procedure for treating severe aortic stenosis. According to the medical device risk classification system, TAVR is a high risk, class III device.

Peijia Medical is full of successful ‘firsts’ including the first domestic intracranial embolization coil; as well as, one of the first TAVR. Could you tell us more about Peijia Medical’s most exciting products supporting China’s ageing population?

We have developed the first, second and third-generation TAVR devices. Clinical trials for our first-generation heart valve product, called Taurus One, finished earlier 2019. Now, we need to wait until next year for approval. We keep researching and developing to improve our technology. Our second-generation TAVR has been in a clinical trial already in 2019. Our third-generation device includes proprietary tissue processing – this is the breakthrough technology that will overcome the current golden standard worldwide. This brand-new leaflet process mechanism has greatly improved durability; it can last up to 5 to 10 years more than current methods. Other new technologies include a new device to improve leaflet movement without implants.

On another note, mitral valve replacement is arguably one of the most difficult product to develop in structural heart field. This market is two to three times bigger than the aortic valve replacement. There is still no company that has developed a golden standard product for this procedure. We got a patent issued in the US for our mitral valve replacement and we will subsequently enter China. We also recently finished animal studies, and we hope to start clinical trials next year.

Overall, this entire field is very young, there are many different technologies coming up every year, but no one has developed a golden standard yet. We will have to wait for the results from clinical trials to determine which technology is the best.

What is your commercialization strategy and are you looking to commercialize outside of China?

Commercialization is a complex challenge. We are selling the first high-risk implantable product, independent of any foreign companies. In other markets, we see that large companies spend large amounts of money training doctors. However, since these large MNCs are currently not present in the market, it is up to us to train physicians.

Fortunately, the cardiologist group in China is very strong and very experienced. In 2002, there were only 20,000 stent cases annually. Today, the number is almost 1 million. In the process, Chinese cardiologists are growing rapidly and more and more advanced catheter labs with good equipment, from Phillips and Siemens are established even in class two hospitals. Given these conditions, it is now much better for training doctors.

With regards to commercializing outside China, it is difficult for us to enter the US market considering the strict FDA regulation. Instead, we are looking to license out our innovative products to MNCs. MNCs will then be in charge of the clinical trials and commercial aspect.

Peijia Medical merged with Achieva Medical last year. What are your goals behind this merger?

With our recent merger with Achieva Medical, we have many more products coming in. This two-platform company is our main differentiating factor. In the long run, we want to establish a big medical device company In order to achieve this, we need to create a multifaceted platform. This is our goal in the next 5 to 10 years.

The heart and the brain are the fastest-growing fields. As a matter of fact, the stroke remains as one of the top killers worldwide. With our merger with Achieva Medical we are looking into treating hemorrhagic and ischemic strokes, among others.

The two fields are definitely connected. They are both regulated by the National Medical Products Administration (NMPA) and we deal with both fields in a very similar way.

In addition, our physician training courses, and marketing are in the same group.

Peijia Medical has also recently completed Series C funding round this month. Can you comment briefly on how this is expected to affect Peijia Medical's operations?

We have raised a significant amount of money; the whole deal is over one hundred million US dollars. Series C investors includes: Hillhouse capital, Grand Flight, China SDIC, and China Cheng Tong group. Also, our previous investors have chosen to stay with us from the very beginning: from Round A to now Round C. These include Matrix Partners China, Lilly Asia Ventures, etc.

The funding will be used for further advancement in research and development of medical devices and treatment services. We need many resources to accelerate our pre-clinical and clinical trials.

As part of the 'Made in China 2025' initiative, China wants to increase the use of domestically produced devices in hospitals to 50 per cent by 2020. What has this meant for Peijia Medical?

This is good news for domestic companies. The products from international companies have not been approved in China This has allowed domestic companies to catch up to the international standard and help Chinese patients. MNCs outside China have been selling very well – for example, Edwards Lifesciences, one of the top companies in the field, has grown to over USD two billion in sales.

Peijia Medical's mission is to provide quality products to improve patient's health. Physicians only want to use the best products. It is not just the government pushing for the best. In addition, local companies need a chance to innovate. In the beginning, many people look for a low risk and low-cost alternative, with non-patented products. As technologies grow, domestic companies will start to innovate and create their own products. This is the reason we are building a comprehensive platform and we are developing future products globally, not just in China.

As a highly specialized producer and distributor of high-end medical devices, how do you manage the challenge on the HR side – to recruit and retain highly talented people?

This is one of the most challenging aspects. This industry is still very young and there are very few people trained to work in it. In China, there are many companies working in the same field now. In order to retain our employees, we give them stock options, life compensation and good financial package. We also give our employees a sense of achievement and hope. Our employees join us with a long-term plan in mind.

As a final question, what are your motivations?

My motivations are certainly not money. My passion is to develop new technologies and create something truly innovative for the patient's health. Luckily, we are in the right moment and right environment, with proactive government support and shareholder's support.

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