

## Chinese investments - the new financing source for Israeli Life Science industry

1. Israel is one of the leading hubs in the world for innovative solutions in the Life Science arena, in the Medical Devices segment as well as in biotechnology and pharmaceuticals.
2. The Israeli ecosystem includes impressive and qualitative scientific activity, talented human capital, and high competence, but on the other hand, it's an area that requires high financial investments with high risk, and a lot of patience. Due the financial challenges and the lack of Biopharma corporations (except Teva) as strategic partners/investors, Israeli companies lean at first stages mostly on government support, and at later stages, seek foreign investments.
3. Until recent years, the big pharma companies, as well as big American VCs used to be an important source, but today, a new player is in the game, and we see more and more investments coming from China into Israeli life science startups.
4. What is the profile of these Chinese investors?
  - Financial investors with good relationships with key decision makers
  - VC, family offices and private equity funds specialized on biomed
  - Strategic investors with a lot of connections in the healthcare sector, marketing and production capabilities in the biomed sector.
  - Real estate and insurance groups with strong attraction to high tech innovation in Israel
5. When they invest – do they see their investment as a general support in the company or do they emphasize the importance of growing the Israeli company and its technology in China specifically?

Both statements are true. They are also looking into being part of the start-up nation and benefit from the outstanding Israeli innovation capability, and support the need for new and quality medical technology for the growing and aging population in China.
6. This paragraph will describe the background and explain the Chinese interest in this field: Their 5 year plan, the changes in the healthcare market in China, and the health reform that increases the need for more services, technologies and new products in the Chinese healthcare market, the huge potential.
7. For a Chinese investor – they are not only interested in the companies as a financial investment, but rather as the entrance of good, quality products into China and their distribution. As part of the Transformation of China's Manufacturing Industry, the acquisition of brands and technology is the primary motivation for future outward investments. Another key driver to achieve manufacturing excellence and enhance technological capacity and R&D

activities. The product differentiation through innovation is now seen as an invaluable way to increase margins and escape the corporate price wars seen in the past.

Moreover, Chinese Companies are Eager to Participate in Outward direct investment (ODI): China is at a turning point, the economic upgrade to boost China from leading manufacturer and exporter to major investor and technology innovator. ODI has grown rapidly in the past years: since 2005, annual outflows have grown at an average rate of 35% per year. In 2012 China accounted for 11.6% of global output and 6.7% of global ODI. Thus, there's still a great gap for Chinese ODI to catch up, even compared to other Asian countries.

8. **However – for an Israeli LS startup, entering the Chinese market is not a simple task. There are many limitations in terms of licensing, regulation, marketing etc., therefore sometimes the investment by a Chinese strategic partner can be a great assistance to expand the marketing chain and it can also contribute greatly to the business development of the Israeli company in China.**
9. **A strategic partner (like Fosun Pharma) can open doors to clinical trials in China, to receive marketing licenses in an easier, cheaper way.**
10. **The model of work with a strategic Chinese partner: Sometimes the model is that the Chinese investing company will sell the product in China, whereas the Israeli company continues to sell in other markets.**
11. **At what stage are the Chinese companies investing in Israeli startups? Less in seed stage because of the size of the ticket and the need for local partner. Early stage, mid-stage is a regular target. Some new comers prefer later stage / advanced stage as they seem more secured, especially with sales and beyond break even.**
12. **Examples for Chinese investments in Israeli biomed:**
  - Jinpeng Group acquired Natali [Healthcare](#)
  - **Rainbow Medical received investment from** Ping An, YongJin and ZTE
  - **GoCapital invested in CNoga Medical**
  - **BioLight Medical devices got an investment of \$24m from a Chinese investor**
  - **Fosun acquired– Alma Lasers and invested in Check-Cap**
  - **Everbright invested in Real Imaging**
13. **Ending: What would you recommend from your experience to Israeli Life Sciences startups, or what do you foresee in the next year or two as the future of Chinese investments in Israeli biomed/medical device companies?**

**Our main advice would to have direct interaction, face to face meetings between the founders/management team and the investors. The ideal pathway is to collaborate with an experienced group with a presence both in China in Israel to access swiftly the right targets.**

- **The future Chinese investments in Israeli life sciences companies will enlarge their presence in healthcare IT, wearable and medical devices. They will most probably increase their presence in funds, and life sciences dedicated funds. As for Chinese pharma companies, they are moving from a pure manufacturing model to new and enhanced technological capacity and R&D activities. So the Israeli biotech sector will definitely benefit from this new appetite, obviously more risky and lengthy than the medical device space. This will be accelerated by the current hype in valuation of publicly traded Chinese life sciences looking for diversification through investment in difficult therapeutic areas with high unmet medical needs.**