BioSpectrum
the business of Bio & Health Sciences
ASIA EDITION

Biotech and Biopharma Industry Trends: What to Watch for in 2024

10 January 2024 | Opinion

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Emerging biotech and biopharma (EBP) companies continue to drive global medical innovation, with Asia Pacific playing a central role. Novel drug discovery processes, advances in preventative care and the leveraging of big data sets make this a truly exciting sector to study. Although it won't be plain sailing, 2024 promises to be a crucial year for EBPs and the wider pharmaceutical and healthcare industries. Here are a few key developments to look out for:

1. Funding for EBPs remains hard to come by

Against the backdrop of a tough financing environment, elevated by rising interest rates, the biotech and biopharma sector remains highly competitive, with many new and existing players competing for a finite pool of funding. Many venture firms are now focused on helping their existing portfolio companies survive the squeeze, resulting in reduced novel investments. HSBC has noted early investment in biotech startups was on pace to fall by 40% in 2023 compared to 2022, and this downward trend is expected to continue into the upcoming year. This challenging financing environment may force many EBPs to rethink their valuation expectations.

Aside from venture capital funding, larger pharmaceutical companies, which serve as a significant funding source for EBPs, are also likely to be less interested in deal-making. Ongoing economic pressures may hinder them from investing in small biotech firms and instead focus their capital on their existing pipelines or specific platform-play investments, similar to the trends observed in 2023.

2. Drug pricing pressures create ripple effects

Drug pricing is under increasing scrutiny across markets, including economic powerhouses such as China and the US. Recent policy enactments, for example, the US's Inflation Reduction Act to help reduce out-of-pocket prescription costs for patients, and price negotiation systems, such as China's price control system are starting to bite into profit margins, particularly affecting rare disease drugs and precision oncology medicines.

Depending on the breadth and effectiveness of these initiatives, multinational pharmaceutical players may lose their motivation to invest, which in turn can lead to an innovation slowdown. As a result, we may see more pharmaceutical companies entering strategic partnerships to mitigate the challenges associated with R&D and commercialization.

In August 2023, Daiichi Sankyo announced a multi-year, multi-asset partnership with Merck to support the commercialization of their highly anticipated antibody-drug conjugate (ADC) portfolio. This collaboration supplements their existing partnership with AstraZeneca, and will focus on the launch of their first ADC, Enhertu, in diverse markets. There may be a surge in such partnerships in the coming years, especially as the world shifts towards deglobalization. In this environment, the value of local partners with strong market access and commercialization capabilities will be crucial for successful launches.

3. India's influence on the biopharma sector continues to grow

The Indian pharmaceutical industry is primed for exponential growth, with industry experts predicting a $130 billion valuation by 2030. The current growth trajectory indicates that the industry will surpass its projected 2045 valuation of $450 billion, and there has been a significant 298% jump in pharma-related investment deals during the third quarter of 2023 compared to the previous year.

While India is well-established as a global powerhouse for generic medicines, there has been a gradual shift in R&D activities to other strategic areas such as biosimilars, complex generics, and new chemical and biological entities. The maturation of India's regulatory environment coupled with vast patient populations and lower research costs makes India an attractive proposition for clinical research. This not only enables broader access to novel therapeutic innovations for Indian patients but also creates increased commercialization opportunities in what is now the world's most populous nation.

Higher interest rates have resulted in increased operational costs for businesses worldwide. Pharmaceutical companies are looking towards shifting a portion of their business operations to emerging markets such as India to achieve greater cost efficiencies. Several leading pharmaceutical companies have established their presence locally across diverse business segments, including R&D and commercial operations. A notable example includes Novo Nordisk's commitment to doubling its manufacturing capabilities in India by 2025. India's political and economic ambitions are clear and so it is likely to remain a competitive place for pharmaceutical players to do business for many years to come.

4. Decentralized clinical trials, but heavy traffic is slowing down wider implementation

2023 saw a perhaps predictable slowdown in the adoption of decentralized clinical trials (DCTs) compared to the COVID-19 pandemic years as many countries returned to their pre-pandemic status quo. Without the strong incentive to perform remote patient monitoring, more traditional clinical trial models have been favored. That said, legislation in some countries has set the scene for more decentralized implementation of clinical trials in the future.

China, for example, has recently issued (July 2023) new guidelines supporting the implementation of DCTs through the use of telemedicine. Moreover, regions such as Beijing, have also been encouraging local pharmaceutical players to run DCT pilot projects8. This formal recognition of the value of DCTs in China, may well pave the way for broader interest in DCTs across APAC in 2024, especially in a cost-constrained environment.

5. Cell and gene therapies break into the mainstream

We are seeing the expansion of chimeric antigen receptor (CAR) T-cell therapy beyond its initial application to treat hematological malignancies such as myeloma, acute lymphoblastic leukemia and non-Hodgkin's lymphoma, and into orthopedics, organ transplantation, and neurology.

The world's first CRISPR gene-editing therapy was approved in November 2023 in the UK for sickle cell disease and transfusion-dependent ?-thalassemia. This approval is a significant landmark for the biotech industry, potentially setting the stage for a new generation of gene-editing therapies to be approved for conditions that were previously considered untreatable, as well as injecting a timely boost into the gene editing R&D universe. CRISPR-based therapies face similar challenges as CAR-T in terms of cost and the substantial healthcare infrastructure needed for treatment administration, and therefore, 2024 holds potential for innovation beyond the treatment itself.