

China Supermarket

Is The Value For Money Due To Global Development Expertise Or Superior Negotiation?

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Executive Summary

Locust Walk analyzed the evolving landscape of China's biotech out-licensing market and its impact on global dealmaking. As Chinese assets play an increasingly prominent role in international partnerships, understanding the key value drivers and negotiation dynamics is essential for both licensors and buyers.

1. China global partnership deal flow skyrocketed in the past 5 years. Through the end of 2024, 3 year CAGR was at 67% and 5 year CAGR at 111%.
2. For out-licensing transactions in 2024, upfronts in China are **1.8x lower** than that of US biotech, generating on average close to **\$50 million less** in upfront dollars.
3. In addition, the average Chinese biotech's upfront is 5.2% of total deal value versus 9.9% for US biotechs, which is a **4.7% difference or a 1.9x difference in immediate cash payout**.
4. For Chinese companies, trans-continental partnerships not only battle deal complexity, but also it battle differences in time-zones and business cultures, which could make the process **highly inefficient if not managed properly**. There are significant considerations across **both financial and non-financial aspects** to consider in cross-border dealmaking.
5. For global buyers, there seems to be 10+ companies for every target. Taking PD1-VEGF as an example, there are 10 assets in clinical development and many more in preclinical. How to select the **right partner**, with the right asset and the right alliance management framework could be fundamental to long term success.

By examining these trends, Locust Walk aims to provide valuable insights into the shifting dynamics of Chinese biotech dealmaking. Whether a Chinese company seeking to optimize out-licensing strategies or a global buyer navigating an increasingly competitive market, understanding these nuances can be the key to securing successful partnerships.

Deals involving Chinese assets have emerged as one of the most discussed topics at 2025’s JP Morgan conference. Over the past five years, the growth in deal volume has been remarkable. While out-licensing from China was virtually unheard of before 2020, the number of deals surged from around 10 in 2021 to 24 in 2022, 30 in 2023, and 42 in 2024 (Figure 1). This momentum has continued into Q1 2025. From 2022 to 2024, the three-year CAGR stood at 67%, while the five-year CAGR from 2019 to 2024 reached an astounding 111%. To put this into perspective, approximately 31% of innovative drugs in-licensed by multinational corporations (MNCs) in 2024 originated from China, compared to 0% in 2019. During a panel discussion at the 2025 JP Morgan conference, an SVP from an MNC highlighted that the rise of innovation in China has expanded licensors’ options, ultimately benefiting patients worldwide. While year-over-year growth may moderate in the coming years, we expect this trend of global partnerships to persist, driven by the quality of Chinese assets, the need for collaboration to maximize asset value, and ongoing capital market demands.

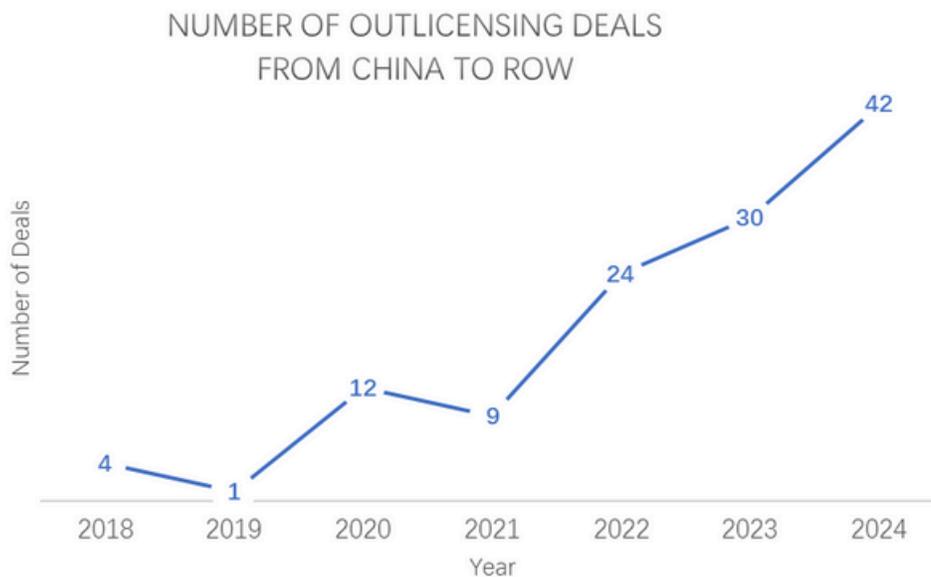
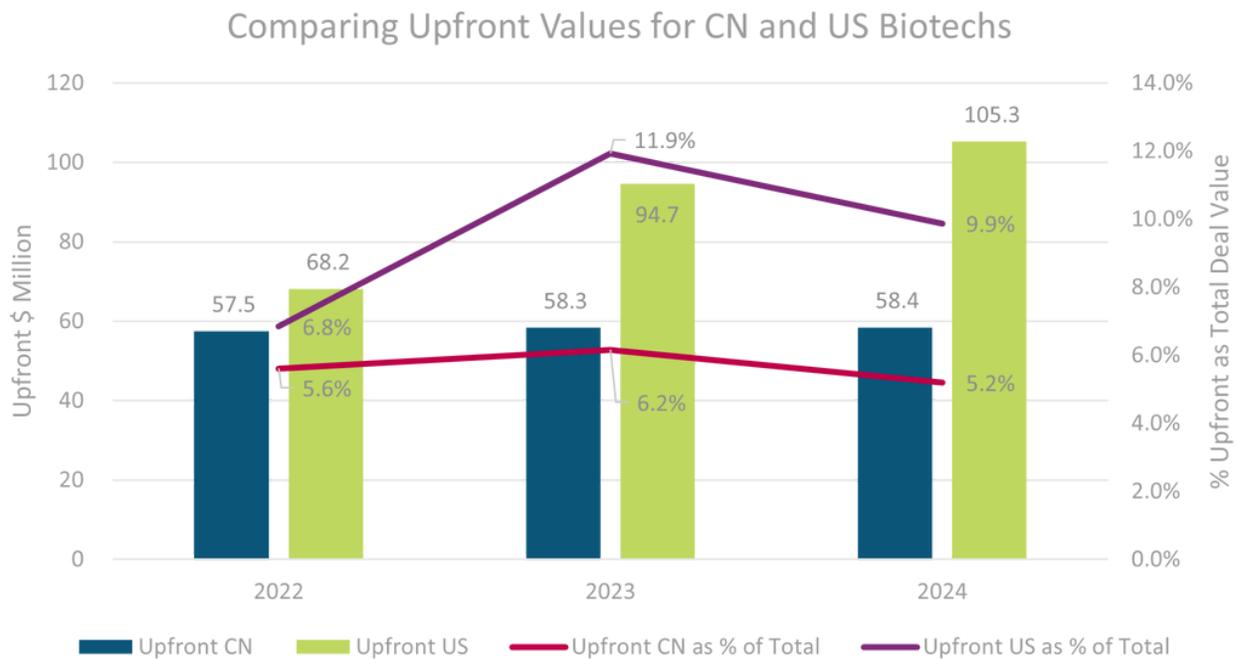


Figure 1. Out-licensing deal count with originator being a Chinese biotech and examples of different deal types. Cortellis Database.

If you speak to any Chinese biotech executive, you'll hear that everything is for sale in the "China supermarket." This trend is largely driven by adjustments in the capital markets, where the IPO landscape on both the HKEX and STAR markets remains cautious. At the same time, domestic market access reforms have limited the pricing power of innovative drugs, making it harder for investors to achieve the returns needed to justify their investments in the local market. In this environment, global ex-China dealmaking has become essential for the survival of both small biotechs and large biopharmaceutical companies.

Beyond the sheer volume of deals, another striking trend is the cost-effectiveness of Chinese deals compared to those involving U.S.-based originators. In 2024, the average upfront payment for out-licensing deals from China was 1.8x lower than that of U.S. biotechs, amounting to nearly \$50 million less in upfront dollars (Figure 2). Additionally, the upfront payment for Chinese biotechs averaged just 5.2% of the total deal value, compared to 9.9% for U.S. biotechs—a 4.7% or 1.9x difference. This pattern isn't unique to 2024; a similar trend was observed in 2023, underscoring the consistent economic advantage for buyers of Chinese assets.



	Difference in Upfront (\$M)	Fold Difference in Upfront	Difference in Upfront as % of Total	Fold Difference in Upfront as % of Total
2022	10.7	1.2 x	1.2%	1.22 x
2023	36.4	1.6 x	5.8%	1.94 x
2024	46.8	1.8 x	4.7%	1.90 x

Figure 2. Comparing upfront in outlicensing transactions when the originator is a Chinese biotech vs a US biotech.

What drives this difference in deal value? While it's reasonable to assume that MNCs prioritize quality—such as clinical differentiation and market potential—over cost, deals aren't struck simply because they're cheap. Based on extensive conversations with biotech executives, we've identified three key reasons behind this trend:

- 1. Significant Pressure to Close Deals:** Many Chinese biotech executives face immense pressure to secure deals earlier in the asset lifecycle, both to demonstrate the quality of their pipelines and to address urgent fundraising needs. With short-term local capital market constraints limiting alternatives, companies are often compelled to prioritize closing deals quickly over negotiating the best possible terms. Compounding this challenge, counterparties are well aware of this pressure, making negotiations even more difficult for Chinese companies.
- 2. Imbalanced Supply and Demand:** It's not uncommon to find 10 or more Chinese companies for any one target, as illustrated by the PD-1/VEGF example in Figure 3. Developing a differentiated clinical strategy is challenging, and preclinical data—while promising—often fail to predict clinical success. Moreover, not all Chinese biotechs possess the capabilities to maximize an asset's value, particularly in areas such as first in class development strategies, U.S. clinical execution expertise, and access to global capital networks. When the burden of designing sophisticated development strategies falls on the buyer, it inevitably suppresses the asset's value during negotiations.

Company	Asset Name	Global Status
Akeso Biopharma (9926.HK)	ivonescimab	Launched
Biotheus (acquired by BioNTech)	PM-8002	Phase III
LaNova Medicines	LM-299	Phase II
RemeGen (688331.SHA; 9995.HK)	RC-148	Phase II
Sinocelltech (688520.SHA)	SCTB-14	Phase II
Convalife	CVL006	Phase I
AP Biosciences	AP-505	Phase I
HC Biopharma	HC-010	Phase I
Junshi (688180.SHA, 1877.HK)	JS-207	Phase I
Minghui	MHB-039A	Phase I
ImmuneOnco (1541.HK)	IMM2510	Phase I

Figure 3. PD1(PDL1)-VEGF asset originated from China and in clinical development. LW analysis.

Additionally, the deal-making approach of many Chinese firms remains relatively basic—often limited to presenting data and waiting for feedback. Unless the asset is a perfect 10/10 fit with the MNC’s strategic priorities, this passive approach rarely yields optimal outcomes. Successful deal-making is a sophisticated process that goes beyond scientific merit; it requires careful consideration of financial factors, deal dynamics, and relationship-building. A clear strategy, supported by active involvement from management and advisors, is essential to navigate these complexities effectively.

3. Process Optimization: Just as clinical operations are critical to the success of human trials, efficient execution is key to successful deal-making. One of the strongest catalysts for closing a deal is often a competitor’s non-binding term sheet. To maximize outcomes, it’s essential to run a highly efficient and parallel process that ensures all key stakeholders—whether within the bureaucratic machinery of MNCs, mid-sized public biotechs, or investors (in the case of Newco formations)—are fully engaged. The use of Newco structures, which combine U.S. teams and capital with China-originated assets, has gained popularity. However, the inherent complexity of these deals requires management to pay close attention to both financial and non-financial aspects to ensure success.

When Chinese biotechs successfully address the challenges outlined above, deal terms tend to improve significantly, which is reflected in higher deal values. Comparing median and average upfront payments, the median is consistently lower than the average, but both have shown an upward trend from 2022 to 2024. A closer examination of the 1st and 3rd quartiles reveals a diversification in deal terms, with larger deals anchoring the upper end of the spectrum.

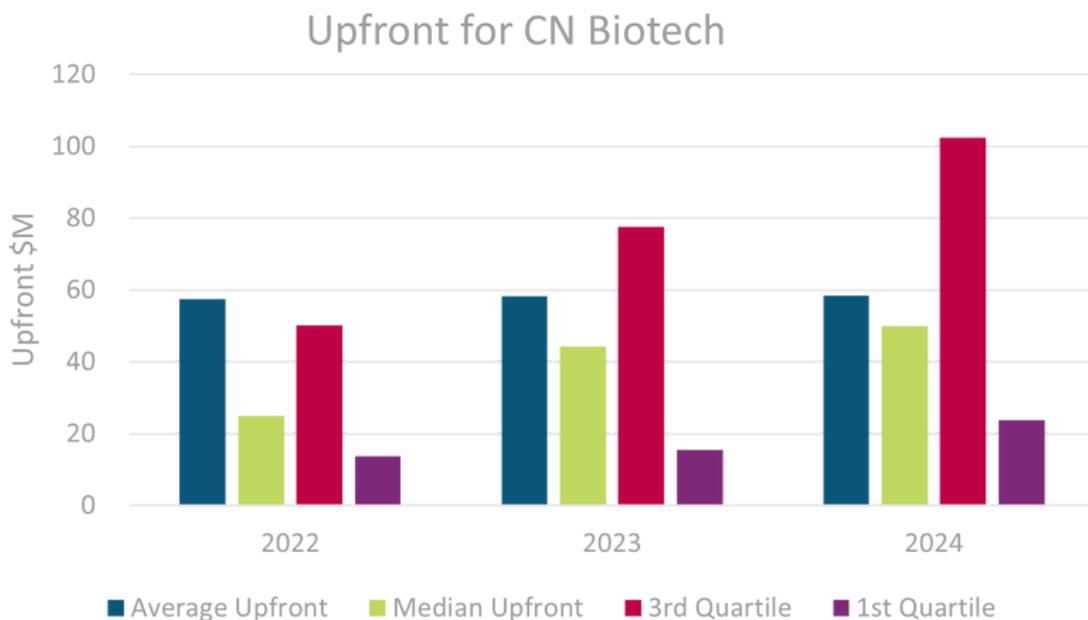


Figure 4. comparing mean, median, 1st and 3rd quartile upfronts for Chinese biotech outlicensing transactions.

Interestingly, the difference in deal values across various stages of asset development is less pronounced than one might expect. This is partly due to legacy factors: many innovative assets emerged during the fundraising wave of 2020 and 2021, and a significant portion of these have only recently reached Phase 1. Additionally, it's important not to over-extrapolate differences across modalities and indications, given the limited sample sizes.

Ultimately, management must take a holistic approach to ensure that global partnerships align with broader corporate goals. In Figure 5, we summarize how innovative biotech companies should evaluate the implications of deals at different stages and the overall impact on corporate goals. Partnerships have now surpassed fundraising as the primary route for Chinese biotechs to navigate the global capital markets, with many fundraising events closely tied to partnership announcements.



Figure 5. How should an innovative Chinese biotech/biopharma think long term about different types of deals.

Above all, we aim to emphasize the importance of strategic thinking in deal-making. Each deal is unique and must align with the corporate development goals of both parties. Success depends on accessing the right decision-makers, running a competitive process, and negotiating effectively. For global buyers, this represents an unmissable opportunity. Building a robust Asian market intelligence network and gaining a deep understanding of the seller's strategic objectives are critical for optimizing deal terms. After all, disease knows no borders—and neither should innovation.

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About Us

Locust Walk is a global investment bank that integrates corporate development strategy and execution with capital raising for innovative life science companies.

We support management and board members through all aspects of a deal – from clearly defining and assessing all options to developing company positioning and navigating through the full transaction life-cycle from outreach to term sheet structuring to negotiating to close. Our suite of capabilities and data driven approach provides our clients with strength of conviction in decision making, a rapidly deployable team, and seamless integration working with us as one global team.