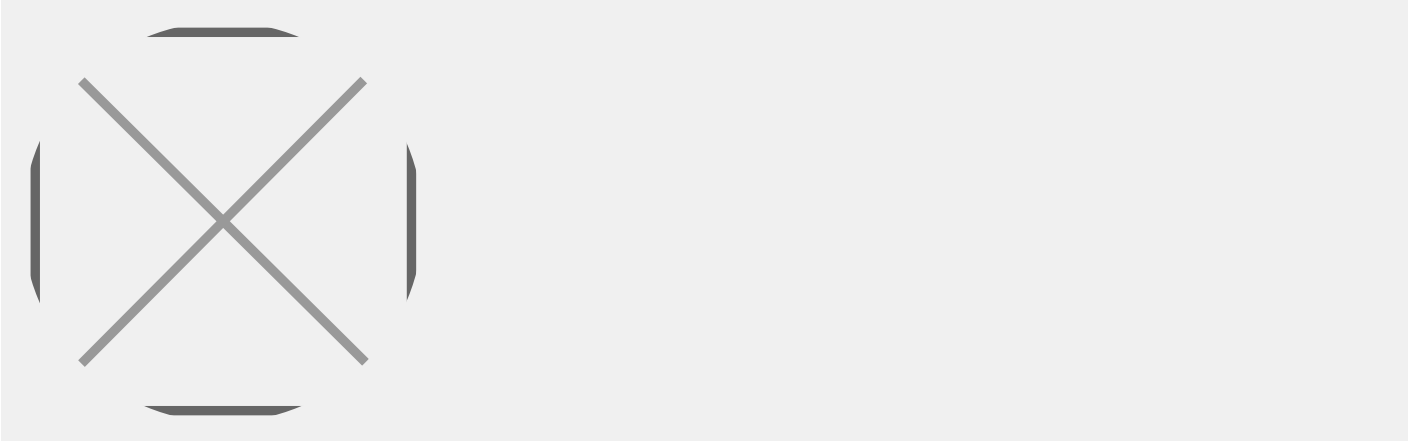
Interview with Chun-Lin Chen, CEO, Medicilon



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We're meeting you just after a conference where you were a keynote speaker. Could you share with us some of your insights from the day's events?

The conference was a forum for graduate students interested in entrepreneurship. The government, now, is trying to encourage people to do business. China, with its history as a socialist country, has not always encouraged people to do business, because it's seen as capitalism. But now, they do – to create jobs, create personal fortunes, and better lives. There were four people in the conference in a panel including me, and we grew up in four different decades, the 50s, 60s, 70s, and 80s.

Did you notice a difference in the mindset between these different generations?

Before our age, nobody thought about doing business. Capitalism is risky, and nobody wants to take risks! But now it's a very good time, because all the elements are in place: you have knowledge, technical platforms, the environment, and government support. In fact, today's conference was organized by a television personality, the host of the show called "Brainstorm".

My talk covered three main topics. The first is the importance of how we have changed from scientists, to managers, to leaders. The second is about teamwork. The third is about communication – between employees, investors, governments, etc. I wanted to tell the audience that government doesn't always know what we entrepreneurs need! And if the industry relies heavily on technology, sometimes it's hard to know where to start, where to search for money, etc.

When China opened up in 1980, people with 10,000RMB thought they were rich – they were known as "Wong Yuan Fu." Now if they have one million RMB, it's not so much! But right now, with the changes I mentioned – in the situation, the mindset, the environment, the government support –

everything changed.

And Medicilon has changed, too. How have the last three years gone, and what were some of the most important milestones and achievements along the way?

Our most important milestone was setting up the joint venture with MPI. Medicilon was the first Chinese company to form a JV with a US-based CRO. That meant quality. With their help, Medicilon attained a real US and international stamp: US GLP compliance, AAALAC certification, and the chance now to succeed in receiving Chinese GLP compliance. Very few companies are certified by the SFDA and the FDA. What this means is that right now, Medicilon is in a leading position because we can offer wholly integrated IND service.

We have several multi-million dollar programs ongoing, which includes simultaneous filing for both the Chinese FDA and US FDA. If you're talking milestones, those are them. Now, more and more US, UK, and Canada-based companies are open to moving products to China in biotech. Big Pharma is already here, but biotech needs our help. And Medicilon can also help Chinese companies which would like to move abroad, to the US and Europe.

Where is Medicilon's focus right now? Is it more the international companies who need a presence in China, or is it those Chinese companies moving up in the value chain who need to move abroad? What's the division in your portfolio?

Nearly 70% of Medicilon's business remains international. Right now, however, the Asia portfolio is growing. It represents 30% of business, and our goal is 50%. Very soon we'll be achieving that, and this strategic initiative was one of the drivers initiating the buyback out of the JV with MPI.

Are Chinese CROs losing competitivity as wages persist with double digit growth?

It's true that the cost advantage has eroded. But there's still room. The higher and middle level management earn international salaries, but most of Chinese staff wages is far less than the level of the Europe and US employees. More important than cost, however, is our unquestionable high quality. China is now the third-largest pharma market, soon to be second. And it's still growing. Not least because of the continuation of the 6.6bn RMB investment in the 11th FYP which stimulated near 300 IND programs, which had a snowball effect for attracting those foreign companies. Medicilon was recognized as one of the top integrated services CRO in China in Citi China Healthscops' report in 2010. I believe Medicilon will be stronger along with Chinese pharma market expanding.

With such stimulus, when can we expect to see the first Chinese blockbuster?

In fact, there already exist some products which have achieved RMB 1 billion in sales and very high profits, from companies like Beida Pharm. Therefore, we have already achieved a "Chinese

blockbuster," and I am confident that many others will also reach the same level very soon, even if comparable international recognition won't be seen for a few years.

There are some hundreds of CROs in China, and they seem to all say "We're a full-service, integrated solution provider." Have they caught up in this respect? How does Medicilon stand apart?

It's interesting to talk about integration. Medicilon was one of the first truly integrated companies. When in 2005 I came with a proposal, nobody believed me! Every company always has an advantage somewhere. But now the trend is towards small companies needing more integrated services. But I don't think many companies in China can offer it. Of course, it always depends on how you define your terms. Some companies consider integration as combining chemistry and biology; others, chemicals plus animal studies; others, IND studies. Ultimately, it doesn't matter what slogan you use. Medicilon is concerned, to a certain degree, about whether we have too many branches, that we will still remain focused! Integration, at the end of the day, is not always easy.

I dream to do new drug applications for our sponsors, and we have helped many companies get IND approval. Our goal is to assure successful drug-to-market completion as well as unrivaled satisfaction in every project, and I'm also happy that the more and more advanced service and more and more differential services I can provide. We were one of the first to build animal facilities, and have a joint venture with US company, and now both Chinese and US GLP compliance. We also created several Chinese government-supported technological platforms, including structural biology, radio lab, and NHP lab. This is also our differential. Medicilon is not as big as others; we focus on a more family-orientated business, more stable growing. Somebody told me a few years ago, "If you keep quality, you will survive. If not, it doesn't matter how big you grow, you will fail." I take that lesson to heart.

Medicilon emphasizes some key technology platforms, and GLP is one, which we invest so much. I one joked to somebody that if I knew get approval for GLP certification would be so difficult, I would have just done chemistry services! In fact, we are happy because we can do the whole IND package at Medicilon. I reached my dream. And most other CRO companies in China are not there – yet.

You've achieved one dream. What's your dream for the next five years? If we came back then, what would you hope we would see?

Medicilon has a plan, and our long-term goal in the next five years is to grow further and hold an IPO.

Personally, now that we have already built a CRO, I want to help my friends build their own companies to do R&D and work with Medicilon. There are many ways to help them, using our technology platforms, and because we have been in the market for so many years, we can convince investors to help them out. There have been quite successful cases already that we help our friends to get funding from VC and governments. Medicilon, as a CRO company, used to have to wait for sponsors coming to work with us; now we can help others via Medicilon services. Building up a lab is not easy. And now that government is earmarking funds not for equipment but for product development, Medicilon can utilize its laboratories to help new companies to develop their new products. From the government's side, this is logical: If a company is given RMB 10m, they can buy two pieces of equipment which may eventually only gather dust in a corner! The government wants products, and their funding administrators, and the whole funding environment, has changed. Therefore, Medicilon Integrated Services has much more bright future!

As a final message to our readers, what do they need to know about Medicilon here in China?

For biotech, Medicilon is doing very well, and we are also working with Big Pharma, seven of the top 10. In fact is that it's not only we can do a good job for them, but also we can help them save costs. Furthermore, we can help them get into the Chinese markets via Medicilon IND filing capabilities, which US-based CROs and most of Chinese CROs simply cannot do.

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