China Clinical CRO Market: Returning to Growth

June 2025

DRAFT

China’s clinical CRO market has resilient fundamentals, evolving competition and strategic opportunities

Market fundamentals	• China’s large patient pool and vibrant innovation ecosystem make it a highly attractive pharma market, fueling strong clinical trial activity • This supports ongoing demand for CRO services, even after recent price-driven downturns, with the market expected to gradually recover • While oncology still dominates, other TAs including immunology and dermatology are rapidly expanding their presence in innovative drug trials
CRO competitive landscape	• The clinical CRO market is highly fragmented, with a mix of multinational corporations (MNCs) and Chinese leaders alongside many smaller players • Leaders differ by trial segments: – MNC-in-China trials: Led by MNC CROs leveraging global relationships – China-for-China (C4C) trials: Highly fragmented, with Chinese players competing primarily on price – China-to-global (C2G) trials: Chinese sponsors often start with established MNC CROs for their proven track record, but are increasingly open to splitting trial scopes among vendors for cost efficiency • Leading CROs compete by enhancing customer experience, optimizing talent models (e.g., tiered talent pool) and leveraging AI for operational efficiency
Opportunity and challenges	• China’s CRO market presents both significant opportunities and notable challenges – For MNC CROs: Success hinges on identifying the right segments and subsegments for growth, leveraging global strengths, and adapting to local dynamics – For Chinese CROs: Differentiation is critical - competing solely on price is unsustainable; building credibility, expanding service offerings, and innovating in delivery and technology are key to long-term success

Note: CRO=contract research organization; TAs=therapeutic areas; AI=artificial intelligence
Source: L.E.K. research and analysis

China remains a pivotal and attractive market for pharmas in the long term, with its large patient pool and continued investment in the established innovation ecosystem

Attractive market fundamentals for pharmas and pharma services

Sizable market

- World's second-largest biopharmaceutical market
- Largest patient pool globally for many diseases

Established innovation ecosystem

- Government continues to encourage differentiated innovation and quality of care
- Oncology remains the leading TA, with other TAs rapidly gaining momentum

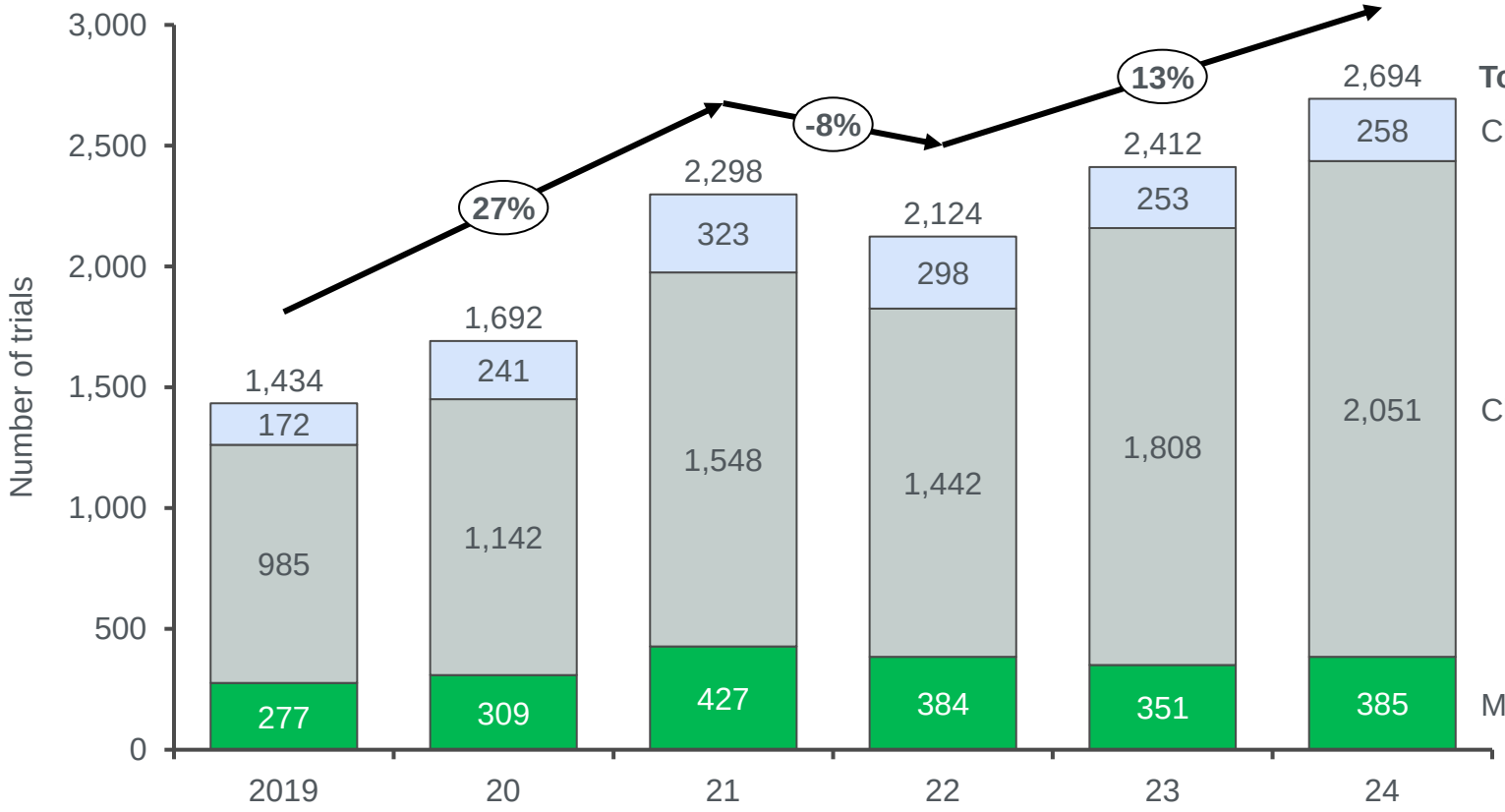
Sustained investment

- Both MNCs and Chinese pharmas are committed to continued R&D in China

Note: TA=therapeutic area; MNC=multinational corporation
Source: L.E.K. research and analysis

‘MNC-in-China’ and ‘China-to-global’ clinical trial volumes have seen a dip during 2022-23, but started to show signs of recovery in 2024

Newly started clinical trials by sponsor type* (2019-24)

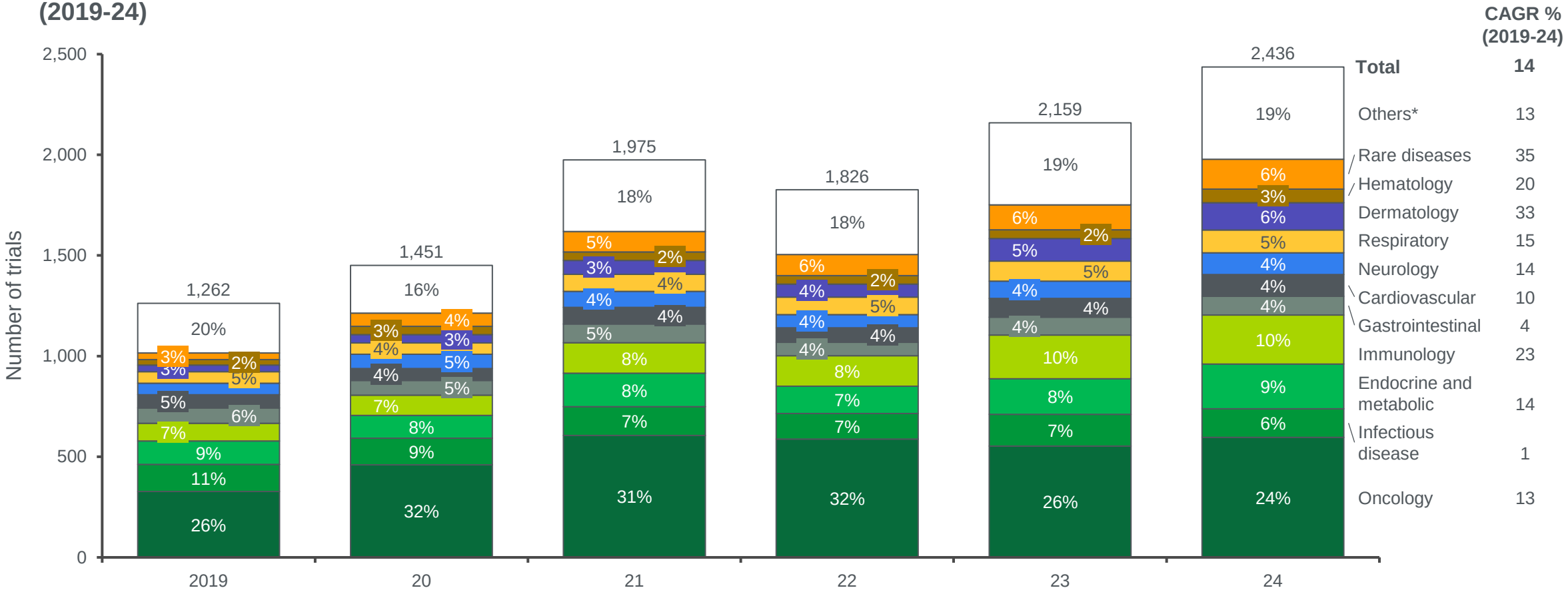


	CAGR %				
	19-21	21-22	22-23	23-24	19-24
Total	**27%**	**(8%)**	**14%**	**12%**	**13%**
China to global	37%	(8%)	(15%)	2%	8%
China for China	25%	(7%)	25%	13%	16%
MNC in China	24%	(10%)	(9%)	10%	7%

Note: *Bioequivalence trials are not included; MNC=multinational corporation; CAGR=compound annual growth rate
Source: DXY; Trialtrove; L.E.K. research and analysis

While oncology still dominates, other TAs including immunology and dermatology are rapidly expanding their presence in innovative drug trials

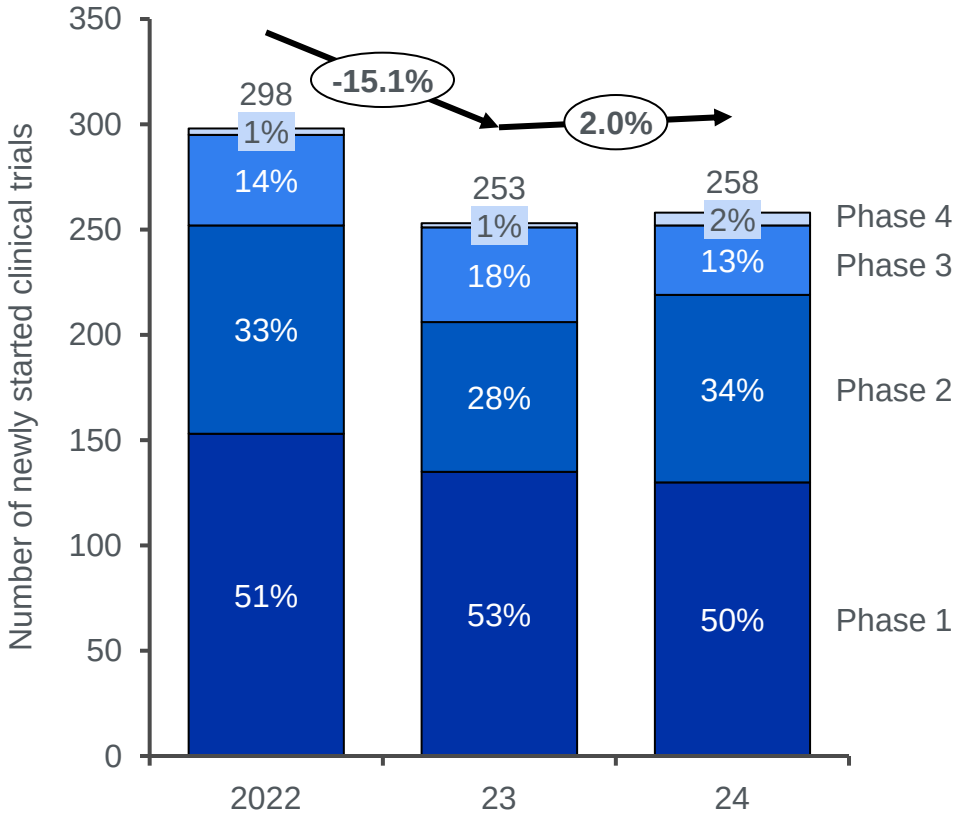
Newly started in-China clinical trials distributed by TAs (2019-24)



Note: *Others includes ophthalmology, urology and more; TA=therapeutic area; CAGR=compound annual growth rate
Source: DXY; L.E.K. analysis

Chinese pharmas continue to drive China-to-global clinical trials, making the segment a resilient and viable opportunity for clinical CROs

Overseas trials sponsored by Chinese companies (2022-24)



Example Chinese companies with C2G trial activities, 2022-24

BeiGene
- **52** trials
- **6** Phase 3, **18** Phase 2
- U.S., Australia, France, Spain, U.K., etc.

Innovent 信达生物制药
- **19** trials
- **1** Phase 3, **10** Phase 2
- U.S., Australia, France, Japan, etc.

SCT 神州细胞 SinoCellTech
- **15** trials
- **2** Phase 3, **12** Phase 2
- Australia, Turkey, United Arab Emirates, etc.

FOSUNPHARMA 复星医药
- **13** trials
- **7** Phase 3, **3** Phase 2
- U.S., Australia, France, Spain, Japan, etc.

恒瑞
- **13** trials
- **1** Phase 3, **7** Phase 2
- U.S., Australia, South Korea, Japan, etc.

康希诺生物
- **9** trials
- **4** Phase 3, **1** Phase 2
- Australia, Canada, Indonesia, etc.

Simcere 先声药业
- **9** trials
- **2** Phase 3, **1** Phase 2
- U.S., Australia, Singapore, Malaysia, etc.

三叶草生物制药 CLOVER BIOPHARMACEUTICALS
- **9** trials
- **4** Phase 3
- Australia, New Zealand, Philippines, etc.

和黄医药 HUTCHMED
- **9** trials
- **1** Phase 3, **1** Phase 2
- U.S., Australia, France, Spain, Italy, etc.

Note: CROs=contract research organizations; C2G=China to global
Source: Trialtrove; L.E.K. research and analysis

After a price-driven downturn from 2022 to 2024, sustained trial activity and a gradual price uplift are set to restore growth in market value

DIRECTIONAL

Key market trends impacting CRO clinical service volume growth (2024-29F)

Key market trends	Trial segments			
	MNC	China to global (mainly biotech)	China for China	
			Chinese biotech	Chinese pharma
Chinese government's supporting policy toward innovative drugs				
Continuous MNC pharma investment in China				
Rationalization and uncertainty of PE/VC funding				
Chinese biopharmas' continuously increasing R&D spending				
Globalization as an increasing imperative for Chinese biotech				
Total market volume growth (new contracts)	4%-5%			

Level of impact: Significantly negative | Slightly negative | Neutral/Not applicable | Slightly positive | Significantly positive

Historical market downturn

- Over the past two years, trial volume growth was offset by price reductions, leading to a decline in China clinical CRO market value
- Since mid-2024, pricing has stabilized and appears to have bottomed out

Growth outlook

- **China to global**: Mild increase in trial volumes and stable pricing are expected to sustain growth
- **China for China**: Domestic recovery will be led by moderate trial volume growth and pricing rebound, particularly after 2026
- **Global to China**: Positive clinical development activities and steady pricing will help maintain a stable growth trajectory
  - China remains a key market for foreign pharma and biotech, supported by its scale, growth and improving infrastructure

Note: CRO=contract research organization; MNC=multinational corporation; PE=private equity; VC=venture capital
Source: L.E.K. prior experience

The clinical CRO landscape in China can be structured into three categories, reflecting varying levels of service integration and market focus

NON-EXHAUSTIVE

Clinical CRO categorization in China

	Description	Est. # of players	Example players
Integrated CRO & lab providers	• Offer both clinical trial management and in-house laboratory testing services	5-10	IQVIA, Fortrea, ppd by Thermo Fisher Scientific, Tigermed 泰格医药, 药明康德 WuXi PharmaTech
Established clinical service players	• Focus primarily on clinical trial execution • Limited or no in-house lab capacity; might partner with third-party labs	30-50	parexel, ICON, caidya, CSPC, Syneos Health, ClinChoice昆翎
Long-tail clinical service players	• Smaller players focusing on specific service types and trial types • Typically compete through low pricing	*Hundreds*	BIOCLINICA, 海金格医药 HIGHTHINK MED, prosWell 春天医药, H&J, 翰博瑞华, NEW-BIORAY 宝丽生科, BOJIMED 博济医药, Taimei 太美医疗科技, 度衡之道 DU HENG ZHI DAO

Note: CRO=contract research organization
Source: L.E.K. prior experience

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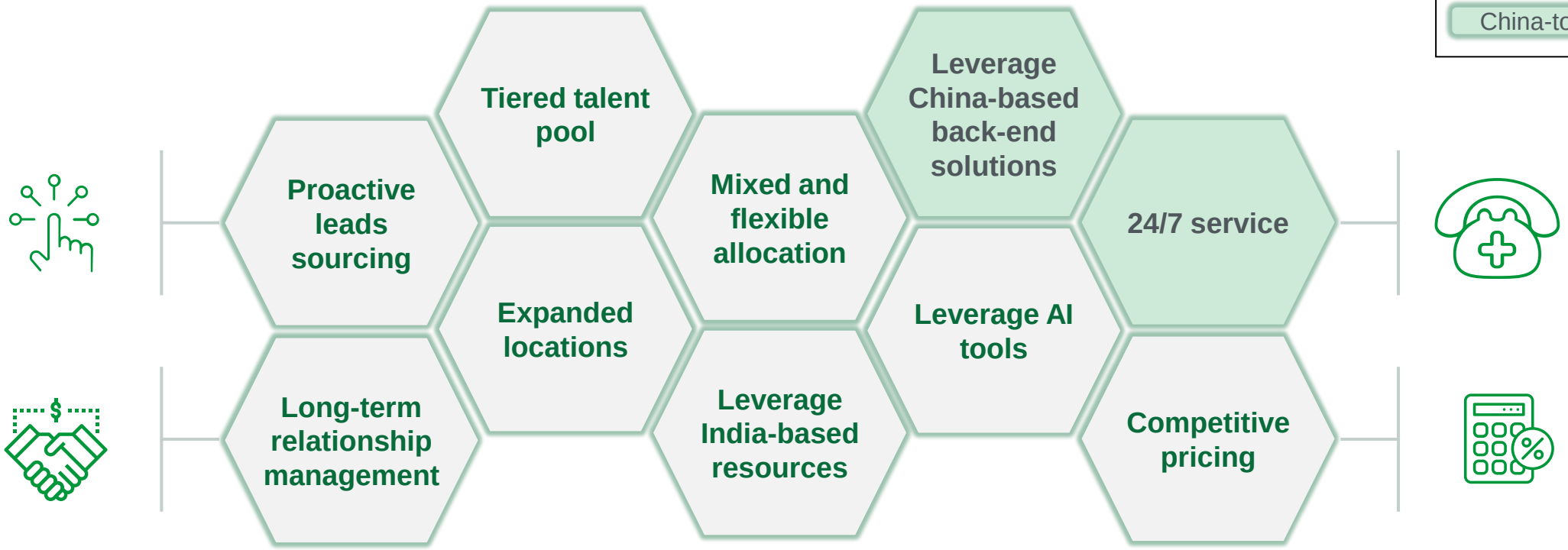
Leading CROs are optimizing business development, delivery models and operational efficiency to enhance customer experience and competitiveness

Key initiatives to improve customer experience and cost efficiency

Relevant trial segment:

- All trial segments
- China-to-global trials



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Source: L.E.K. prior experience

Usage of AI is expanding throughout the pharma R&D value chain, including in many clinical functions

NONEXHAUSTIVE

AI adoption across pharma R&D value chain

Target ID and validation	Drug discovery	Preclinical	Clinical	
Portfolio management: predicting optimal R&D portfolio structure (asset-level PoS, trial timeline, cost, expected revenue) based on internal data, competitor clinical readouts, etc.				
Target ID	Drug repurposing	PK/PD parameter prediction	**Study design/trial Strategy**	Designing trial protocols that meet the needs of a product while ensuring feasibility
Druggability of targets	Small-molecule virtual screening	In silico safety and toxicology		
Target prioritization	Small-molecule structure, design and optimization	Hypothesis-driven dosage prediction	**Patient recruitment and retention**	Patient identification Recruitment and enrollment Patient adherence
Omics based ID/validation	Biologics and small-molecule structure, design and optimization	High maturity of analytics tools, but limited AI-driven models exist due to lack of data	**Site-based analysis**	Site discovery Site selection Site onboarding Site management
Biomarker ID and evaluation			**Data management**	Data collection Data centralization Data monitoring Data analysis

Current level of adoption Higher Intermediate Lower

Note: AI=artificial intelligence; PoS=probability of success; ID=identification; PK=pharmacokinetics; PD= pharmacodynamics
Source: L.E.K. research and analysis

Final thoughts and Q&A

For CROs

- How would you describe your organization's historical strengths and future strategic direction in China?
  - Across customer segments (e.g., MNC in China, China to global, subsegments within China for China)
  - By trial segments (e.g., TA, modality)
  - By service lines (e.g., full-service outsourcing vs. functional service provider, clinical operations, data management, biostatistics, pharmacovigilance)
- What strategies is your organization pursuing to differentiate beyond pricing in a highly competitive environment?
- What are your key areas of focus for future investment (e.g., AI-enabled solutions, localization of delivery teams, expanding capabilities in high-growth therapeutic areas)? What are the biggest risks or uncertainties associated with these investments?

For investors

- What are the key qualitative and quantitative criteria you use to assess CRO players in China? Are there specific segments or emerging trends that are particularly compelling?
- Which CRO-related assets or operations in your portfolio present opportunities for optimization or strategic value enhancement?
- Given the market's fragmentation and the recent pricing-led downturn, do you see attractive investment opportunities emerging?

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Source: L.E.K. research and analysis

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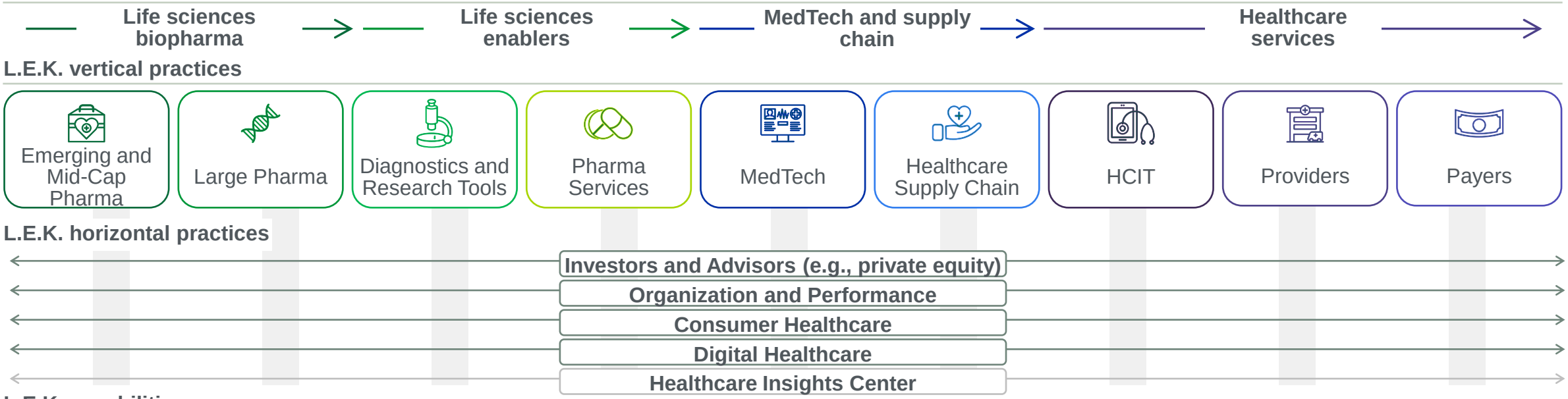

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- Recognized as a leading advisor for **growth strategy, M&A support** and solving key **strategic and complex business issues**

Note: HCIT=healthcare information technology; PE=private equity; IP=intellectual property
Source: L.E.K. research and analysis

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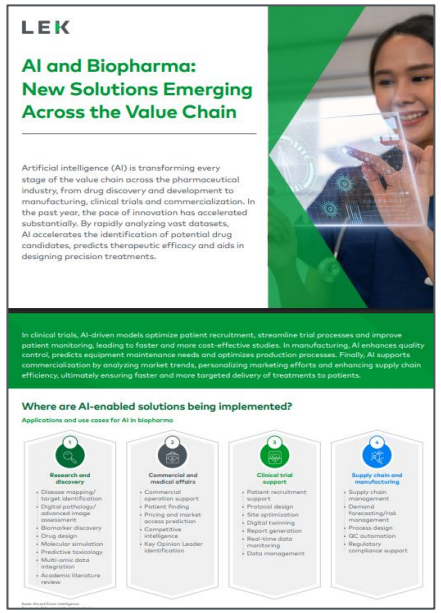

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[Proving AI's Value in Life Sciences]

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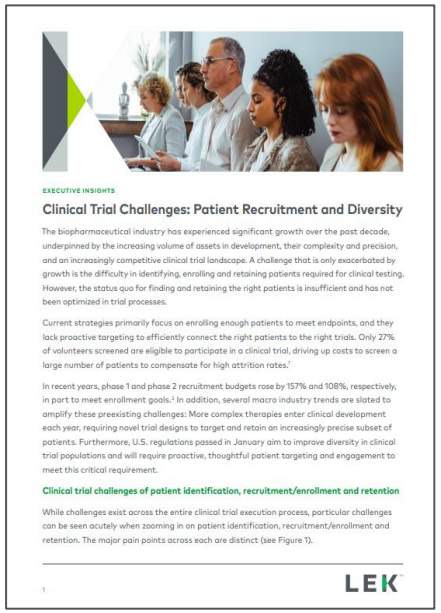

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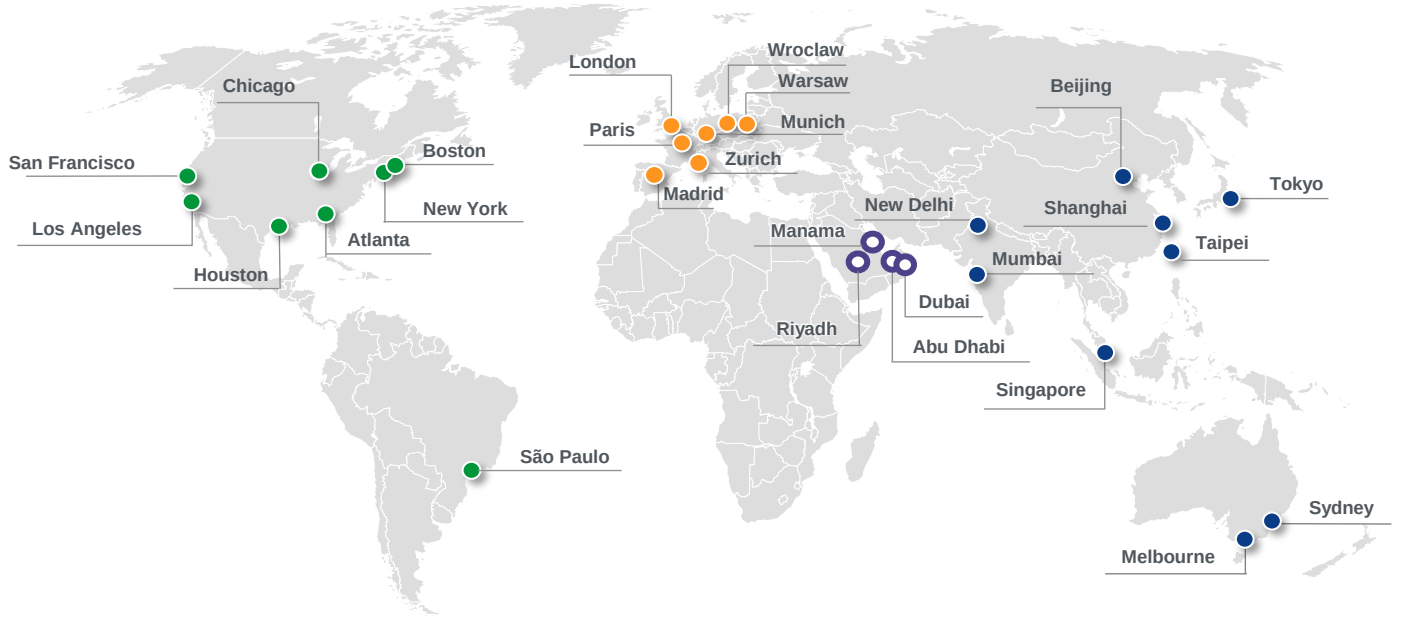

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