

21 Nov 2023 | Analysis

Mixed Q3 For China's Innovative Firms Amid Anti-Graft Campaign

by **Dexter Yan**

China's research-based pharma companies reported mixed third-quarter results for their anti-PD-1 antibodies, BTK and PARP inhibitors amid broader challenges including an ongoing government-led anti-corruption campaign.

Amid a heightened central government-led anti-graft campaign, China's innovative pharma companies endured the most challenging quarter in years for the domestic commercialization of new drugs in the three months ended 30 September, a review of financial results showed.

In mid-July, 10 Chinese authorities, led by the National Health Commission (NHC), kicked off a one-year crackdown on corruption in the healthcare and pharmaceutical sectors. (Also see "[China's New Pharma Corruption Push Set For At Least A Year](#)" - Scrip, 18 Aug, 2023.)

As early as August, industry insiders foresaw strong headwinds for recently approved or launched new drugs due to reduced physician educational activities and restricted hospital visits by sales representatives. But the actual impact from the corruption campaign were not apparent until companies started reporting earnings.

PD-1/L1 Market Slowdown

Notably, the Chinese market for anti-PD-1/L1 antibodies, the immuno-oncology class most pursued by local research-based firms, experienced a slowdown in the quarter, noted major player [BeiGene, Ltd.](#)

Its revenue from the PD-1-targeting agent Baizean (tislelizumab), the top-selling drug in the class in the country, slid by 3%

China Drug Makers Brace As Anti-Graft Campaign Impact Surfaces

By **Dexter Yan**

24 Aug 2023

Simcere, Hengrui, and Zai Lab are among the first Chinese pharma firms to report various

quarter-over-quarter to \$144m in the three months. On a year-over-year basis, however, the figure rose by 13%, helping the drug further increase its market share.

Similarly, [*Shanghai Junshi Biosciences Co., Ltd.*](#) saw its anti-PD-1 drug Tuoyi (toripalimab) fall by 12% quarter-over-quarter to CNY221m (\$31m). The dent resulted from “vulnerability to impacts from multiple factors,” the company told investors on 15 November. Compared to the same period in 2022, toripalimab posted year-over-year growth of 1%.

forms of impact from the gathering storm of a national anti-corruption campaign launched in July in the healthcare and pharma sectors.

[Read the full article here](#)

The anti-corruption campaign has dealt a blow to the pharma industry in the short term, analysts with securities broker China International Capital Corp. noted in a 10 November report. However, a longer-term silver lining will materialize in the form of a “purified” commercial environment and drug makers’ refocus on product qualities, rather than non-compliant promotional practices, they added.

Still, some other domestic PD-1/L1 makers managed to beat the odds. For [*Innovent Biologics, Inc.*](#), revenue from Tyvyt (sintilimab), co-developed with [*Eli Lilly and Company*](#), gained 11% quarter-over-quarter to \$115m, Lilly said. Year-over-year growth was 50%, leading Innovent to comment in its Q3 results that “Tyvyt continued its strong sales performance and solid market leading position.”

Another Chinese immuno-oncology player, [*Shanghai Henlius Biotech Co. Ltd.*](#), reported a 1% quarter-over-quarter increase for Hansizhuang (serplulimab) to CNY309m. This made the quarter the best for the drug since its domestic approval in March 2022. Henlius did not provide the year-over-year growth figure.

BTK and PARP Inhibitors

Outside the PD-1/L1 space, the home market performance of other Chinese innovative in the quarter was mixed.

BeiGene’s BTK inhibitor Brukinsa (zanubrutinib) dropped 2% quarter-over-quarter to \$47m in China, but grew by 21% versus the same prior-year period. Its domestic class rival, [*InnoCare Pharma Ltd.*](#)’s Yinuokai (orelabrutinib), saw a 6% quarter-over-quarter drop to CNY160m, according to a report from brokerage CITIC Securities on 17 November.

As for [*Zai Lab Ltd./GSK plc*](#)’s PARP inhibitor Zejula (niraparib), it declined 3% quarter-over-quarter to \$41.6m, against a 6% year-over-year rise.

“There's no doubt in Q3 it [the national anti-corruption campaign] had an impact on prescribing patterns and on healthcare utilization,” Josh Smiley, Zai Lab’s president and COO, told investors in an earnings call on 8 November. “We see that in our results. And I think all companies, to varying degrees, are seeing that.”

Smiley added that despite some lingering effect in the fourth quarter, “we expect and hope that by the end of this year, we're back to sort of normal practices.”

Pamiparib, another PARP inhibitor from BeiGene, saw its revenue fall by 2% from the second quarter to roughly \$2m; but the small molecule’s quarterly sales improved by 49% versus a year ago.