



Everbright sees opportunities in China's healthcare sector

With the Year of the Pig underway, China Everbright's Michael Fu shares his views on where the best investment opportunities in China's healthcare sector can be found.

By Carol Huang

26 February 2019



In this Year of the Pig, healthcare could be an auspicious investment destination for investors that use an in-depth and targeted strategy.

Michael Fu, managing director and head of **Everbright Healthcare Fund** at asset manager China Everbright Limited, aims to invest upstream and downstream within a particular sector, rather than diversify investment across all sectors.

"The valuation of healthcare startups is already quite high," Fu said. "Even startup teams admit it." The seemingly prosperous market early last year was the rising tide. It lifted up all company valuations which have

remained high since the last quarter of 2018.

Despite the opportunities, there are still not enough Chinese teams which provide medical and healthcare research. This only adds to the valuations of healthcare and medical start-ups.

Huge demand is a catalyst for the industry's growth. Despite high valuations, Chinese investors have been pouring money into the healthcare sector since the end of last year. More than 20 healthcare-related private equity investments have been completed in China in the last month alone.

With 27 years of experience in the healthcare sector, Fu prefers to invest in companies that cater to consumption, are focused on interdisciplinary studies, and are supported by state policies.

"The medical industry is becoming increasingly focused on consumption as **GDP per capita** increases," Fu said. In developed countries, medical and healthcare expenses make up about 10% to 12% of a country's GDP per capita. In China, the current number is 5.8%. This means that there is great potential for individuals to increase their spending on medical products. Fu expects the spend on medical and healthcare products to reach about Rmb8 trillion (\$1.2 trillion) in 2023, as people tend to turn to medical products not only for treatment but also to improve their day-to-day lives.

Fu also prefers to choose companies that have interdisciplinary cross-overs with other industries, such as artificial intelligence or big data. Internet technology has the potential to help both customise and digitise medical services for patients: to improve the user experience while expanding the number of people who use them.

He adds that political support is a key factor for the research and development of new medicine. In recent years, for example, government-sponsored initiatives such as national healthcare insurance have played a key role in driving the development of drugs and medical equipment for cancer treatments. Start-ups that work on these kinds of products will benefit, with the ability to form companies and launch products.



Fu Feng, Everbright

There are three areas that currently interest Fu: oncology, angio-cardiopathy treatment and dentistry. Starting with oncology, Fu points out that there are reasons to be bullish about its early detection. He estimates that the technology is already there to detect 99% of cancers in their early stages. As technology develops, patients can now afford expensive and differential oncology therapies and are looking for more personalised care from their medical service providers. The pre- and post-treatment of cancer are areas where Fu sees strong growth potential in the next few years.

Meanwhile, the number of heart implant surgeries increased by about 13% last year, which makes it an area that is ripe with potential. Everbright has invested in the angio-cardiopathy industry for the past three to five years and will continue its investments in this space for the next five years. Fu predicts that this industry will see an annual growth rate of 15% to 20%.

Dentistry is another sub-sector in which Fu expects to see an average growth of 20% a year. He points out that it is a consumption sector that even people without any specific illness.

The healthcare and medical industries will continue to see rapid growth in 2019, according to Fu. He notes that investors are likely to become more rational this year, with more integration between upstream and downstream sectors expected and continued prosperity for Chinese healthcare investments.

RELATED

[How Chinese healthcare is resisting funding slowdown](#)

[How South Korea hopes to foster innovative healthcare](#)

[PingAn and CICC see the value in segmented healthcare](#)