

# Samsung Bets Big on Drug Making

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SONGDO, South Korea—In a 740,000-square-foot production facility here, Samsung machines are humming day and night to churn out an unlikely product for the world's largest maker of smartphones: cancer drugs developed by **Bristol-Myers Squibb Co.**

The **Samsung Group's** \$2.74 billion investment over the past four years in production plants and research laboratories like this warehouse-size one is the most visible sign that the South Korean conglomerate isn't content being known simply as one of the world's top consumer-electronics makers.

Instead, Samsung is par-

laying its expertise in manufacturing chips and smartphones into a new business making biologic drugs for the pharmaceutical world's biggest names. Its goal: to become the world's biggest contract manufacturer of biologic drugs—which are made from living cells, blood components and tissue as opposed to chemicals—in order to treat ailments from cancer to arthritis.

The push into biotechnology is seen as a test for Lee Jae-yong, Samsung's 47-year-old heir apparent. Analysts and investors are watching to see if Mr. Lee can lead the group into new business areas, as his father, Chairman Lee Kun-hee—who is currently incapacitated following a heart attack—did



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Heir apparent Lee Jae-yong

with semiconductors and mobile phones.

The younger Mr. Lee, a vice chairman of **Samsung Electronics Co.**, sees biologics as a

fast-developing field that can help generate growth as sales from smartphones and chips ease up. "We see big opportunities to innovate by bringing together IT, medicine and biologics," he said at a forum in China earlier this year.

Global sales of biologic drugs are expected to grow to \$278 billion in 2020 from an estimated \$184 billion this year, according to data from London-based research firm Evaluate Ltd. While that is only a third of current sales of conventional, chemically synthesized drugs, biologic drugs offer higher profit margins, analysts say. Samsung privately estimates the revenue derived from manufacturing biologic drugs will reach \$42

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