

Interview with Mal Eutick, CEO, Phebra Australia

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Can you start by giving our readers a brief overview of the company's history here and your most notable achievements?

Initially the company was founded as a small distributor of relatively specialized pharmaceutical products. Over the years we saw a growing demand for these special, difficult to manufacture drugs or drugs for rare diseases. These are often needed in relatively low volumes. In this area, the larger pharmaceutical companies were generally not interested due to the small volumes this, we felt offered us an opportunity. We therefore decided to focus entirely on special, niche products, medicines that have a lower unit volume but a higher value. This focus required us to have development and manufacturing capabilities.

A notable achievement was in 1998, when we purchased Ophthalmic Laboratories Pty Ltd, a small volume injectables and ophthalmic facility as a manufacturing base. This company was primarily a specialist supplier of unique sterile products for hospitals. In 2000 we then purchased the medical device company, TUTA Laboratories, from Otsuka of Japan and built a new steriles plant into part of its facility in Lane Cove. We are now completing a new and much larger manufacturing plant in the same suburb.

Our continuing primary focus is developing, manufacturing and supplying hospital and emergency services with the critical medicines they need.

My aim has always been to develop a fully integrated international pharmaceutical company. Naturally doing that from Australia is not easy as we are at distance from the major markets of the world and also from the base of management expertise that is more available in these big markets.

I have considered it essential to have a positive cash flow coupled with building a management skill base that has all the various elements required of a pharmaceutical company from development of drugs, patent skills, clinical trials competence, regulatory affairs, and sales and marketing of course.

This next stage in our growth or history is the new plant. We have been asked why we are building it, but we see a value not merely from the increase of capacity in terms of supply but it also the increase in the range of products we can develop and manufacture. Furthermore, our current smaller plant was primarily meant to supply the Australian market while our new plant will increase our capability to develop our overseas markets.

What have been the key factors behind Phebra's success?

One of the key factors is staying within our market position and not straying into other areas such as generics for example. We have developed a strategy in the market that we have maintained. We have a seven year product development pipeline with a focus on our own developed patented products which we believe will unlock access to more and larger markets worldwide as well as, we hope, new partners who may be interested in co-ventures. We are also actively in-licensing specialty pharmaceutical products for the South East Asian markets (including Australia and New Zealand), which complement our own developments.

Could you tell our readers more about your portfolio? And what have you identified as the primary growth areas in the Australian context?

Our focus is on the highly specialised and innovative medicines for the hospital market, which may not necessarily have a particularly large market share within a country but across a large number of countries, it could represent a significant market.

The specific therapeutic target areas which interest us are: pain and anaesthesia, emergency cardiovascular and neurology, Cystic Fibrosis and other respiratory conditions, haematological oncology, antidotes, and specialised steriles such as IV diagnostics, vitamins and electrolytes. More recently we have been examining the gastrointestinal area as well as products that support people who are under treatment for cancer. Essentially most of these are markets associated with our aging population.

However, we are also involved with supply of paediatric products, which may cover many of the medical fields I have mentioned.

How do you rate the government's commitment to foster the right environment?

I believe that governments are fully aware that there is growing concern with regard to the potential health cost of our aging population.

The Australian population is more likely to remain in the workforce longer, which may increase the incidence or requirement to treat chronic diseases such as arthritis, back pain, head ache among others. At the same time people are more highly educated or better informed consequently they expect effective treatment with the latest drugs and are also aware that there is a greater degree of choice in drugs and medicines.

Naturally too most governments realise that the elderly population base has a lot of voting power and certainly have a lot of spending power; it is not if that they are being ignored. Thus the issue for the government is to create a balance between increasingly more expensive medical intervention and care against the ability of the population to pay for it. Governments today have a particularly difficult task.

I believe we need more palliative healthcare and more mental health services just to name two areas. The services here are not just pharmacological, in fact the greater costs may be in staff to handle these areas from medical personnel, physiotherapists to social workers etc.

Looking at demographic changes – essentially when the people of the baby boom start retiring, say over the next ten years, this will further significantly increase the burden on governments. Interestingly this is at a time when most governments are looking at other important issues such as the environment and climate change which will burden their budgets. In some countries this may be even more difficult. Look for example at the explosion of the middle class in South East Asia. We are about to go from 500 million middle class to 3.2 billion by 2030. This is an interesting problem, which I believe governments are trying to tackle quite well and in different ways.

I feel that Government will ultimately look at a mixture of things. We see our government encouraging people to look after themselves, advising them to eat healthier, reduce smoking and increase exercise and implementing preventative programs. Ultimately, the government could penalize people who do not look after themselves.

Furthermore, we see people getting more interested in complementary medicines including vitamin and mineral products and the NHMRC providing a significant amount for rigorous scientific research into complementary medicines.

But at the end of the day we do have a growing population and a limited pot of cash meaning that changes in our health care system will be inevitable. I believe that the Government is working and planning quite well to look at the many options to deal with this.

What makes Phebra the partner of choice?

It is focus, drive and talent with our own products backed by continuous investment and innovation. We have the reputation of delivering on what promise with a particular and uncompromising focus on quality.

In a media statement about the new plant you said: “The new facility is approximately double the size of our last home at Lane Cove and as a result, will assist us in continuing our sustained and strong growth across both local and overseas markets.” What are the latest developments of its international strategy and expanding its operations?

As I mentioned, our aim is to become a recognised international pharmaceutical company. Our current manufacturing plant limited our overseas growth whereas the new one will provide us with an expanded capacity for manufacture as well as the capacity for development of new innovative pharmaceuticals. We also expect that we may enter into more partnerships or joint ventures, especially if the partner may require manufacturing and development expertise.

We have a long term vision, looking at a mixture of organic growth and keeping our eyes open for fruitful partnerships. Furthermore, we will continue our staged growth. This might not be as exciting as say becoming involved with biotechnology developments but the risk associated with growth is manageable.

How has Phebra been going about recruiting and maintaining the right kind of people in such a volatile and competitive environment with Australia’s narrow labour market? Where do you find the talent needed to continue this impressive growth?

Logically with our narrow labour market it is challenging to find the right people. Australia does not have the pharmaceutical base that you see in Europe or the US , which would provide a large choice of management staff from process engineers, product developers to regulatory affairs people. Looking at our staff, roughly 60% are from outside Australia or trained outside Australia—English, South Americans, Irish, Indian, New Zealanders, South Africans- it is very multinational. I feel that providing an environment where people feel they can make a difference, rewarding them well and encouraging their enthusiasm and professionalism and innovative thinking is one of many keys to keeping good people and also in attracting them as well.

Phebra and the symbol phi stand for quality, protection and purity—values that are important to the team at Phebra. What did you want these values to mean and what do they mean to the company and employees today?

It is not easy finding a new name for a company that someone can pronounce and is not taken by another group. We had been called Pharmalab for many years but it was not a unique enough name. So we decided to name the organization Phebra to reflect the growth and globalisation of our business.

The name is derived from the names of two ancient Roman/Etruscan deities: Februus, an ancient mythological deity who was the god of purification; and the Roman goddess Febris, a protector against fevers and malaria. (Hence the derivitisation of the medical term “febrile”) It is a unique

name and the phi became part of it and reflected what we try to achieve.

Interestingly, we also found a very practical aspect about the Phi symbol in that it can expanded or contracted right down to a one millimetre file and you can still see it.

From a quality point of view our employees and customer know that we strive to deliver the best quality we possibly can. We do not think any other small company can manage to achieve this to the same extent we do. We make very conservative decisions, which are at times costly but it is a question of producing a quality product. Our employees are proud of the quality of the products we produce and every employee from the person in the packing hall to our managers has a commitment to maintaining that quality.

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