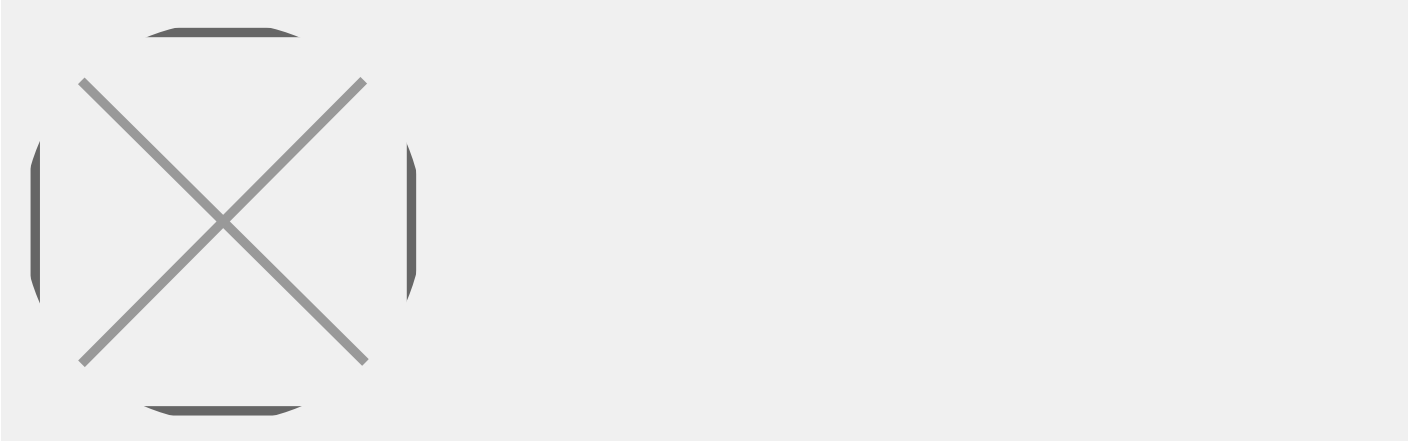
Interview with Alek Safarian , Managing Director, Novotech (Australia) Pty Limited



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One of the hot topics in the industry is the impact of PBS reforms. Can you speak to recent influence of PBS reforms affecting Novotech's services in Australia?

In our particular business, there is very minimal effect. Because Novotech is a service company, most of its clients are engaged in global clinical trials and in fact, close to 80% of revenues are generated from companies located outside Australia. Therefore, many studies undertaken by Novotech are designed for submission to the FDA, which means there is not a really marketing and sales line of sight as far as the Australian market is concerned.

In Australia, the government supports some CRO activities to a degree. Could you speak to the role you consider the government should play in encouraging Novotech's work?

The CRO market in Australia is actually quite small, although the research market is very high quality and growing very nicely. In my opinion, the principal role that the government should play in supporting CROs would be in supporting the overall expansion of research in Australia, for example, through such things like the regulatory system. The Export Market Development Grant is a good scheme, although it is not CRO-specific, but rather a general scheme for any exporter in any industry. On the whole, because the local market is small for CRO players, it would be nice if the government made a generous stimulus to the whole industry, but I think that the most constructive thing to do would be to take a broader approach towards promoting research in general. Since beginning with a regulatory affairs department in 1996, Novotech has grown considerably in its scope, size, and sales.

Could you talk about some of the milestones in the company's growth and success?

Building a robust quality (ISO 9001) and IT infrastructure in the late 1990s was an important foundation for growth in subsequent years. The company has been heavily involved in marketing the benefits of doing research in Australia, primarily around the relatively streamlined nature of the regulatory system. Alongside Western Europe and the US, Australia has high research quality but at a cost base between 20% and 30% lower, although some of this advantage has been eroded over the last 12 months due to the weakness of the US dollar. You have mentioned that 80% of Novotech's business is done with companies that come from outside of Australia.

Can you talk about where these companies come from and the main features of Novotech attracting them to do business with you?

The majority of these are based in the US, with some in Europe and a few in Asia. They mostly fall into either the Biotech or the mid-size pharma sector. Typically, these are companies engaged in running large phase II and phase III studies that need global participation, and Australia represents an attractive venue for them. In terms of CRO choice, our clients usually decide either to go with a global CRO in which case companies like Quintiles and Covance would be the preferred partner, or in many cases what they look for is regional CRO with specific expertise in the local environment, and this is where Novotech has positioned itself. Novotech was awarded the CRO of the year at BIO 2008.

Can you talk about some of the factors that make Novotech stand out?

I think that primarily it is our infrastructure which is very deep and robust, as well as the quality of our full service project management. Since most of our clients are on the other side of the world, we need to have very good systems in place in order to bridge that time and distance gap with our clients. The end result is that the service quality that they experience is over the level that they expect from a local CRO. Overall, Novotech's infrastructure is considerably more advanced than similarly-sized CROs in larger markets, and that is really by necessity because the company operates with clients all over the world. In terms of CROs in the local market, Novotech is one of the largest players in Australia, covering the entire country in addition to New Zealand. Last but not least, as in any service industry it's important to have the best people working for you, and the level of experience that our staff bring to our projects is a big factor behind Novotech's success.

In terms of attracting and retaining those people, could you talk about the Novotech approach to recruitment?

It is a mix of ways, which combine the general labour market skill, which is quite tight in Australia, as it happens to be in other developed CRO markets. For certain positions, we may recruit at entry level, and put them through our in-depth inhouse training system. For other types of positions

Novotech recruits from the local market, but also quite regularly from overseas. Therefore, the company has a wide selection of staff members from various European countries, the US, Canada, South Africa, and Singapore. This outside talent recruitment is necessary due in part to the tightness in the labour market here in Australia, particularly for experienced professionals for which it is a small and very competitive market. Flexibility is also a part of this picture. Hiring the right people is only one half of the battle; retaining them is the other half. Novotech is lucky in a way, that as a smaller company compared to big pharma local affiliates, we are able to offer flexibility in terms of opportunities and working conditions. In addition, though a small company, many of our staff get a special buzz working in the corporate head office in Australia, an experience they can't get in too many other Australian workplaces. From recruiting overseas to actually establishing the business overseas: Novotech has opened an office in San Diego, and received $8 million in venture financing to expand in Asia.

Can you speak to the growing footprint of Novotech worldwide?

Asia is the prime focus for Novotech's growth, and the company's presence in the US is primarily to be closer to our existing client base. Because of geography, being in the Asia Pacific region is much more convenient than either Europe or the US. Even though it's growing from a much lower base, the potential for Asian countries to become a real powerhouse as a source of clinical trial data is huge. Novotech's first expansion to the region occurred last year, but will be emphasized much more going forward. In the next two to three years, the company will be covering much more of the region.

What do you see as Novotech's main competitive advantages going into an area like Asia?

Having our head office in a similar timezone is a big help. As Novotech enters further into the region, we mainly expect to have the same advantages as we do in Australia, with lower costs as a regional CRO and high emphasis on quality. In addition, we have long standing relationships with US and European industry keen to expand their R&D footprint in the region, so provided the right comfort level is established, we expect to make good progress there.

What is your vision in going forward with Novotech? Were do you want to take the company in the next five or 10 years, and how are you are going to go about it?

Novotech's overall mission is to expand its services on an international scale. In terms of breaking that down on a step by step level, the next three years will be fully focused on expanding our footprint in Southeast Asia. Novotech also recognizes that as a service organization, growth will involve both organic and M&A activities, the latter being the reason for our capital raising last year. So, we plan to be working on a certain number of deals to strategically expand the company's international footprint.

What makes Novotech the CRO partner of choice?

It comes down to a combination of factors. Quality is absolutely number one and that encompasses everything from responsiveness to clients to dealing with sites and third party vendors, and everything in between in relation to design and delivery of our services. Speed of operations would be the second factor, and of course price and overall costs are also very important. Overall, one of the main things in Novotech's culture is that all senior and mid-level personnel have backgrounds in both the pharma/biotech industry as well as the CRO side. So when it comes to that partnering aspect we tend to speak the same language as our clients much more easily, having been there ourselves. Ultimately, it is about creating a personal experience, and companies, sponsors and clients get comfortable with the people that they are dealing with and from there the relationship develops over a number of years, and that is how Novotech becomes the partner of choice for many of them.

What is your final message to Pharmaceutical Executive readers, particularly those who may fall in that 80% of your potential international client base?

If you are not in Asia already, you should take a very close look at this market because in terms of what the region has to offer, it compares to what Eastern Europe had to offer 10 years ago. In the mid 1990s that region began to open up and there were a lot of the same questions hanging over them as there are now about Asia. As those markets opened up and all those questions were answered, so too will the Asian markets. Obviously, there are still a few years to go, but it is my expectation that this is how the market will develop, and if true, then if you are not in Asia already you should be looking at entering.

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