Interview: Endang Hoyaranda – Commissioner & President Director, Prodia Group, Indonesia

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Endang Hoyaranda, Commissioner and President Director at Prodia Group, elaborates on Prodia's pioneering spirit when implementing its diversification business strategy and explains how the company has successfully completed its IPO process on the Indonesian stock exchange (IDX).

Prodia recently completed its IPO in the Indonesian stock market (IDX) issuing 25 percent of its equity in December 2016. Can you outline the rationale behind going public?

When the founders created the company back in 1973, they never wanted Prodia to stay stagnant in its performance. Prodia has always had a leadership position in its different businesses being at the forefront of the industry and being considered as a benchmark. Therefore, the corporate move to become public is certainly aligned with the founders' vision of sustaining Prodia's leadership. In fact, being listed in IDX shows the engagement that Prodia has with the public as well as it gave us financial resources to rapidly implement our strategic actions to continuously improve our operations and consequently, strengthen our leadership position in the country.

Can you share any initial results of the stock market listing?

Even though it has been more than five months since we became partly public, it is still too early to share any results of our IPO. However, I am proud to confirm that the demand of our shares was twice the value that we issue, which can certainly be considered as a success.

Could you give us an overview of where Prodia stands today?

The group currently divides its business into six different companies: Prodia Laboratories, Prodia CRO, Prodia Occupational Health Institute (POHI), ProStem, ProLine, and Innodia.

Last year, Prodia grew 13.4 percent and today it has more than 3,700 professionals that ensure the quality as well as the success of its operations. We are present in more than 100 cities across Indonesia through its 259 healthcare centers.

What is your strategic guideline to maintain such double-digit performance while maximizing Prodia's shareholders value?

The strategy has been very clear since the foundation of the company. We are looking for unmet needs in the market that we can fully satisfy and ultimately create a business where Prodia will be positioned as the national leader. We are not interested in existing areas where there are already active players. This direction has certainly ensured the great performance of Prodia until now and it will continue to drive our future. As President Director, I strongly believe in this business philosophy and it will therefore remain being my strategic guideline.

What is the added value that Prodia is giving to the healthcare community through each of its six different business areas?

Our companies, except Innodia, are pioneers in their fields and all them are related directly or indirectly to health activities, which is our core expertise.

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Firstly, the laboratory division was our initial business and it was the first laboratory run by not only clinical professionals but also business experts. It is currently the largest and most recognized clinical laboratory in Indonesia. Indeed, we have been awarded several international and national prizes from leading global and local institutions because of our operations' quality as well as the innovative practices implemented in our laboratory activities.

Secondly, our clinical trials activity started back in 1990s leveraging on our clinical laboratory division until it spun off back in 2008. It was the first Indonesian full service CRO and it currently provides an integral CRO solution to local as well as multinational pharmaceutical companies to develop clinical trials locally.

Thirdly, Prodia Occupational Health Institution (POHI) is the only company in Indonesia that is providing occupational health services in the country. POHI aims to promote better life in the

workplace through its service units to support its clients' needs with high quality occupational health programs. We already serve several companies from different industries such as mining, automotive, telecommunications, and oil & gas.

Fourthly, ProStem is focused on the development and advancement of stem cell science. Our commitment is to deliver life-saving regenerative medicine through developing research in this arena. ProStem was the first company in Indonesia to receive a license to bank stem cells and also to do research in such field.

Fifthly, ProLine is engaged in the In Vitro Diagnostics (IVD) industry and it is the only local company serving in Indonesia for clinical chemistry line in IVD aiming to become the leading local IVD manufacturer in the country.

Sixthly, Innodia is a medical devices distributor and it was created to support our operations in ProLine.

Which of these units is the main contributor to your business and where do you foresee more growth?

Our main contributor in terms of sales is our clinical laboratories division but we expect a lot of growth coming from the other business units. It is important to consider that the other companies are still in a start-up stage with a long path ahead for each one of them.

Specifically, how are you fostering synergies between the different areas?

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All business units are related in one way or another to health or medical activities and it is interesting that all the companies have emerged from a market need identified in a prior business unit. Just to give an example: we started running clinical research activities through our clinical laboratory division back in 90's but, when we realized that it was not our core, we decided to spin it off and focus the new company only on developing clinical research. As a result, we foster cross-selling amongst all our different units because of the inherent operational relationship between them.

Prodia was the first Indonesian company to develop full service CRO activities in the country. Considering such heritage, what is your current assessment on the CRO landscape in the Indonesia?

The development of the CRO industry in Indonesia has been a journey. The government issued a new regulation about clinical material transfer back in 2010 that limited the possibility of sending clinical trial materials outside Indonesia. This regulation obviously limited the CRO activity tremendously and consequently, the volume of clinical trials run in Indonesia is very little in comparison to what it was in the past and especially to what it should be – considering the population size of the country.

Nevertheless, we are actively working in improving the situation and we are already collaborating with four hospitals to help them to manage clinical trials in their establishments through training courses and other medical education programs. We are keen to invite other industry stakeholders to develop clinical trials capabilities in the country.

Furthermore, Prodia enjoys the trust of leading MNCs to support them in running clinical trials in the country. Our local knowledge is one of our competitive advantages in our CRO business. This positions Prodia as the partner of choice for those MNCs and local players that are willing to develop clinical research activities in Indonesia.

Indonesia is one of the largest and promising markets within the region. In fact, the Indonesian Universal Healthcare Program (JKN) is going to be one of the main growth drivers of the Indonesian healthcare industry. As president director of the leading clinical laboratory company in Indonesia, what is the role of Prodia within this government initiative?

Initially in 2014, we were not sure about Prodia’s participation within the JKN scheme since our market is totally different from the one targeted by such governmental program. Nonetheless, we have identified some laboratory tests that JKN is covering and the government needs us to run them. Hence, we started to provide some test services to JKN and we are willing to continue helping the government to meet national health goals.

In terms of economic contribution, most of our revenues come from the private market but in terms of volume of patients treated, the public market is gaining relevance. However, the financial deficit of the National Social Security Institution of Indonesia (BPJS) is quite challenging and both government and the private market have to find a win-win relationship that will ensure the sustainability of the universal healthcare system in Indonesia.

In emerging markets such as Indonesia the private industry plays a key role in shaping the market; especially in the Indonesian laboratories arena since private laboratories mostly dominate the market. Could you expand on how Prodia is developing the next-

generation diagnostic technologies for precision medicine in Indonesia?

Technology in our business is crucial to break health boundaries in terms of results' accuracy, market access, and efficiency in the operations. We are fully aware of this and aligned with our pioneering spirit, Prodia has always been at the forefront of the introduction of innovative technologies and techniques in Indonesia. In this sense, we are highly committed in implementing medical education initiatives to ensure that such innovation is properly implemented in the country. We believe in next-generation technology and personalized medicine, which is our current focus in terms of innovation.

Prodia is ready to embrace a new technological era but it takes time to get the instruments validated as well as the professionals educated. Nevertheless, we are advancing in this direction and we expect to introduce some disruptive technologies in our arena by the end of 2017.

What are the key competitive advantages that differentiate Prodia from its competitors?

Last week it was Prodia's 44th anniversary and since its foundation, it has always been driven by continuous improvement, disruption, quality, innovation, and patient-safety. Our clear strategic underpinnings have driven our success throughout our history and they differentiate us from any other player in the country. In addition, we have backed up such strategic vision with high quality management and an operational team that have ensured the integrity of Prodia on a daily basis.

What are the main objectives that you would like to achieve in the upcoming years?

The main priority on my agenda is to ensure that Prodia will maintain its leadership position in Indonesia – being considered the benchmark to follow by the industry. Secondly, I aim to consolidate all our businesses developing the different markets where Prodia is currently operating. Finally, I want to develop my team of highly qualified professionals to support the activities of Prodia.

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