Interview: Erich Lehner – Head of Life Science Branch, EY Austria



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Erich Lehner, head of the life science branch at EY Austria, a worldwide leading consultancy firm, provides an insight into the current mandate of EY Austria as well as the services and one stop shop approach they provide for their three main focuses; Big Pharma, small to mid-size biotechs and public institutes. He also discusses the catalysts for future market growth and what makes Austria an attractive investment destination.

As the head of the life sciences branch at EY Austria, could you introduce to our international readers your current activities?

At EY Austria, we have three main focuses; Big Pharma, biotech and public institutes, mainly hospitals. Firstly, big pharmaceutical companies have always been a part of the Austrian healthcare system. At present two large companies, Boehringer Ingelheim and Baxter, have R&D activities here, while others have production facilities, such as Sandoz. Most of the large multinational entities position themselves in Austria solely in a sales operation capacity.

Secondly, we work within the rising biotech scene that has really positioned Austria on the life sciences map. If you look at Austria compared to other nations, like Germany and the UK, we are demographically very small, but from a biotech comparison we have a diverse and abundant product portfolio in phase I, II and III. Many of these biotech companies have links with medical universities across Austria, in the larger cities of Vienna, Graz, Innsbruck and Linz.

What we notice is that small to mid-size startups have great opportunities to acquire finance for the first two to ten million EUR (2.3 to 11.8 million USD) through start up centers, such as the Austrian economic service company (AWS). The conundrum is when these startups require 100 million EUR (118 million USD) to move into the realm of a large biotech company; therefore, many are forced to move abroad to financially larger nations where conditions are more favorable for their endeavors. As a life science community, we need to create a more comfortable environment, including tax incentives for example, to ensure these businesses can focus on R&D rather than financial concerns. Furthermore, this will ensure the brightest Austrian minds remain in Austria, while attracting world-class scientists and companies to make the move here.

Lastly, we work in a close relationship with the hospital system in EY´s core business area, auditing. This is especially important when these public institutes are undertaking cooperation, evaluation and acquisition activities, and when they require us to design for them a new business model. We have noticed that Austrian hospitals have room for improvement when it comes to internal financial processes; therefore, we are assisting in reconstructing these systems. Hopefully this will improve over the next ten to 15 years, in parallel with government plans to rebuild all Vienna hospitals. Saying that, working with public stake holders is not always easy, as negotiations are generally less flexible – nevertheless – we are happy to be working in such prestigious operations.

What importance is the life science sector within Austria?

The Austrian Ministry of Economics is starting to understand the significance of a thriving life science sector, in particular biotech; therefore, they are striving to put in place the correct framework for the sectors development. The main concerns are the nation´s high individual tax rates and labor costs, but this is countered by fair company tax rates and startup incentives. All in all, the importance of the life science sector is on the rise in the governments eyes.

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What are the interesting projects EY is currently undertaking?

We have an excellent interaction with public institutes and publish a biotech report as well as hosting events in the biotech sector and broader life sciences industry. In summary, for EY it is about providing services such as audits, advisory activities as well as tax and legal consulting, for small to large companies and public organizations.

What services does EY offer that make it stand out from other large international consultancy groups?

We bring together a broad-spectrum offering, from the classical services of auditing, tax consulting, legal, evaluations and advisory services to modern methods for new innovative processes. From our perspective, we are the leading consultancy that bring together these services under one umbrella, establishing a multidisciplinary holistic view that allows companies to negotiate specifically with us to conduct all their functions; a one stop shop approach.

Furthermore, we are the most internationally integrated consultancy firm. Unlike other big four companies, which work in individual nations more like a franchise, we are always working in conjunction with other countries EY offices, allowing our companies, domestic and international, to collaborate through our international network. This is especially important for smaller to mid-size companies who can work with the international community in establishing long term connections for possible partnering opportunities.

The Austrian healthcare market has been growing for many years. What areas need to be further stimulated so this growth can continue in the upcoming years?

It is demand-driven. If you look at the at the global market, medical costs are rising and public sectors in every nation are needing to reevaluate their processes and discover new ways to finance these innovative, but expensive, products. We see the focus in the future will be on biosimilars and generics as a way of reducing the strain on healthcare systems spending.

Biopharmaceuticals, and in general R&D, is an area we see developing – although – we see that many Austrian scientists lack the entrepreneurial mindset compared to many other counties, such as the US and Germany. At EY we want to act as the catalyst to stimulate this enterprise mentality. We need to display to Austrian scientists and experts clear success stories, giving them the inspiration to do the same, and take the leap into founding their own business.

Do you believe the Austrian healthcare ecosystem is a stable and attractive environment for companies to conduct operations?

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It depends very much on the size of a company, and this is not particular to Austria. For example, smaller companies have a tradeoff to consider within the market; partner with a larger company at an earlier stage to reduce their risk but decrease profits, or, do they take up this partnership approach later on to have a greater chance at increased profits, but have greater potential of

bankruptcy. In short, risk and reward. This approach is very different to larger companies that must look at Austria from a different perspective.

Overall as a nation we are an attractive destination, especially with the R&D premium in place, that acts as a subsidy for companies conducting Austrian R&D operation, irrespective if a business is making a profit or loss. Clearly, reforms must take place in certain areas, though, as a nation, per capita, we spend an incredible amount on healthcare; therefore, there is no real reason a company would not look at Austria with a positive open mindset.

Where are the future ambitions of the life sciences branch of EY Austria?

We hope to continue being one of the leading partners for companies coming to and currently in Austria, assisting them to overcome the challenges they face on a daily basis through our great team and holistic service approach. Furthermore, we need to continually adapt and lead the way in the digitalization of the healthcare market, which we see as the next real revolution throughout the industry. All in all, we see the Austrian healthcare environment developing – and in the meantime – EY will grow in parallel and consider itself the leading consultancy partner.

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