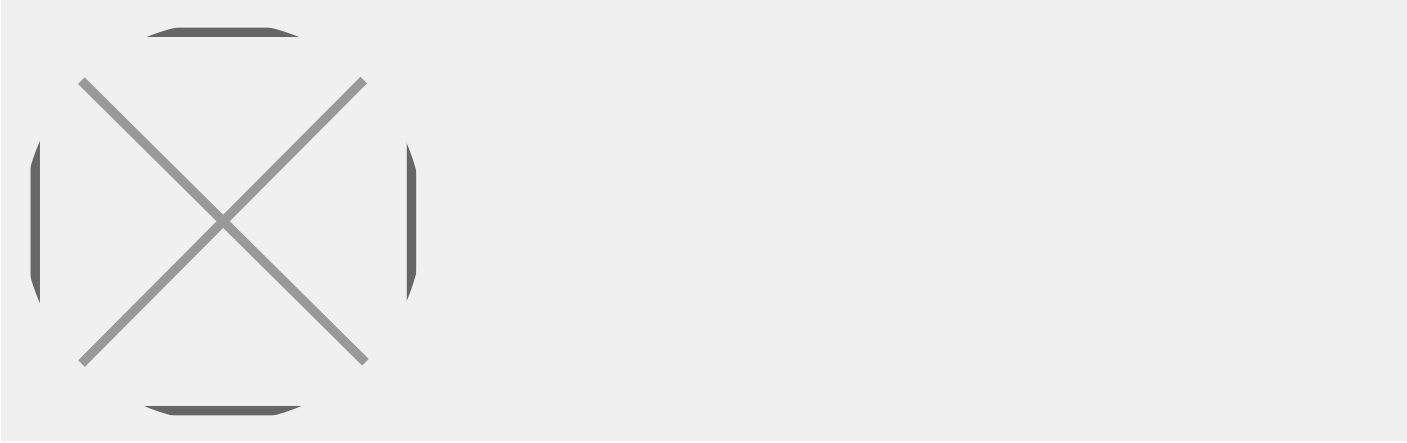
Interview with Anna Lavelle, CEO, Ausbiotech



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anna-lavelle-ceo.jpg

What have been the focus areas for the association in improving the wellbeing of the life science biotech industry and what have been the key milestones/achievements since 2008 in providing representation and services to promote the global growth of Australian biotechnology?

In addition to the financial crisis the government decided to decrease its 2008 budget in which they axed programmes designed for innovative companies—in particular life science companies in the biotech area. These two events coinciding has been a double jeopardy for the life science biotech industry. Inevitably the industry received a big hit with the result that numerous companies not survived.

Due to successful C-level decision makers of the leading pharmaceutical companies the industry has managed to march on despite money scarcity and the sober environment. Notable has been that they have not lost their desire to continue their search to access capital subsequently refocusing and restructuring their companies extremely well.

Looking back from 2008 until now, the small cap biotech life science companies have outperformed all the ordinaries in the Nasdaq Composite index and the ISEX 300. In other words, the small cap biotech life science companies have proven to be highly investable—many sophisticated investors have made money. This can't be said about many other industries.

What has been the key success factor for the biotech industry being able to consistently outperform the size of the economy?

Australian biotechnology and life science companies are capital efficient. Australians are used to doing a lot with very little. Moreover, companies tend to be flat with little hierarchy and are reasonably priced—good value for money.

Due to high level of technology, management and driven scientists, Australia is well positioned on a global level.

Incentives that attract investors to Australia are our regulatory framework, a good health system and skilled clinicians who have created an attractive environment to conduct clinical trials. In addition to this, Australia punches above its weight if we set off population versus number of top researchers. This country seems to be fertile ground for medical research having a highly reputable medical research community.

Moreover, we are tolerant of the fact that we are far away from the main markets in Europe and the United States. Australians tend to travel frequently in order to maintain healthy investor relations and maximize face time with potential partners around the globe. Naturally, being based in Asia is an advantage because we are in the same time zone with major markets such as Hong Kong, Singapore and Shanghai.

Could you shed a light on what AusBiotech has been doing recently to pave the way for the Australian biotech industry to further build its success?

In 2007 listed companies have raised almost a billion Australian Dollars in secondary capital.

During the financial crisis we realized that our best contribution would be helping our member companies to access capital. Having said this, at a 2009 conference we organized the first in a series of of investment platforms. We showcased 40 private companies – 20 late stage and 20 early stage – to invited international investors. Around 100 investors, including bankers, stock brokers and other investors participated to that particular conference. We have built on this and today we have an international series of investment meetings taking Australian companies oversees and putting them in front of potential investors who may not be aware of Australian technology. This has proven to be extremely successful, generating significant new investments and interest in our technology.

From a public policy perspective, we have been involved in negotiations regarding changes in the federal tax laws, which were implemented 12 months ago. Since these changes started to apply companies announced that they are getting significant money reimbursed due to R&D tax incentives. Companies with less than $20 million turnover get 45 cents cash back for every dollar they invest in R&D and companies with turnover above $20 million get a 40% offset. This is a 45% discount on their expenditure that companies get back as a cheque in cash from the tax office or a 40% tax credit. This guarantees that investors receive a 40 – 45 % uplift straight away and it

encourages R&D.

How confident are you today about the government's commitment to foster the right environment for the biotechnology sector?

I believe that the federal as well as the state government wants to see innovation. Speaking to the public the government often mentions its desire for a smart country and their support for innovation.

AusBiotech conducts a survey among CEOs every year in order to track what their ideas are about the environment. Last year we found the CEOs optimistic, speaking about hiring additional staff, capital raisings, growth and other positive aspects. They were less positive about the business environment meaning: tax, the regulatory framework, red tape and processes. Companies wish to see this being tackled by the federal as well as by the state governments.

Looking at the future, what is your vision for the Australian biotechnology industry?

Clearly we need more success stories such as Pharmaxis, a company that is involved in the research, development and commercialisation of new therapies for undertreated respiratory diseases and has grown to become among Australia's largest life sciences companies. One of Pharmaxis' characteristics is that they develop products for diseases including cystic fibrosis meaning that their patient group is small. Hence, they are able to penetrate markets with a small sale force. For a universal drug however, the machinery of a large pharmaceutical company is required to have the sales force promoting your product.

The environment will always be heterogeneous because it depends on what the product is. Does it have a domestic or international focus and are there partnerships involved? It is a bespoke area where it is hard to make standard rules or expectations. We have seen that companies search creative ways in order to finance their operation, looking for innovative financing and partner arrangements or start-up a commercial operation that finances the program rather than having to go out raising money through investors.

I strongly believe that to enable innovation, pressure is required. If there is no pressure there is no drive nor trigger to innovate. Over the last few years, scarce capital has pushed people to find creative solutions to finance their companies.

Pharmaxis has been a great example as a first indigenous company that has made its way from discovery right through commercialization process, consequently listed on the Pharmaceutical Benefits Scheme (PBS). What I'd like to see is more companies listed on the PBS getting their products out to the community.

Opposed to five years ago when people merely focused on phase III developments, today we see increasing interest from pharmaceutical companies in phase I and pre-clinical studies. Moreover,

pharmaceutical companies have been concluding agreements with the biotech industry to their R&D, not taking up the responsibility of developing themselves. This demonstrates a set of new relationships that requires sophisticated partnering.

Looking at the future of AusBiotech, what are the priorities on your agenda for the coming years?

We will continue to play our part in supporting companies to be successful. We do this by creating opportunities such as the investment engagement opportunity I mentioned earlier but also by removing barriers to business and success.

We will also play an active public policy advocacy role because that is what makes a change at government level. Furthermore we like to see a better deal for innovative companies with regard to accessing superannuation funds. What I would like to see is that the right people come together and discuss a new vehicle that would acceptable to superannuation firms and trustees in terms of protecting people's investments and at the same time granting access to life science companies that require capital.

The biotechnology area is a nation building industry and an investable area. We are talking about investing in performing stock that will be an economic driver for the future, employing young people, generating wealth and is going to generate a legacy for the community.

On a personal level, what is your mission? What priorities are on your list?

Looking for preferential (tax) treatment for investors is an important topic. Moreover the superannuation is high on my list and needs to be tackled.

I completely and absolutely believe in the biotechnology sector. I continue to be focused and genuinely interested in making a contribution to a positive legacy. Obviously the bottom line for companies is to be successful and sustainable but generally people active in biotechnology have a different trait that you may not find in other industries, namely they really do want to make a positive contribution. This is something that cannot be bought and underestimated because that human drive will take you that extra mile. The level of commitment in the industry is sincerely big.

The number of private companies has decreased in the last few years and this is what I aim to reverse. Companies such as Pharmaxis that started 10 to 12 years ago have managed to break through when life was more fertile. For companies today it is harder to get capital in order to get started. For that reason we do need to pay more attention to early stage otherwise we might lose some opportunities.

I believe that Australians are realists who understand the size of the domestic market and its obstacles. Moreover, they understand that a good upside exit is as valid as being there right at the

end because to develop some drugs it is almost impossible to acquire the capital required. A good example of this is Acrux that made a clear decision to conduct phase III trials themselves rather than partner with a large pharmaceutical company subsequently concluded a licensing deal with Eli Lilly for A$367 million plus royalties. They made a strategic decision to take that risk and invest in their clinical trial because they felt they could do it and achieve FDA approval, which they did.

What challenges and opportunities do you see for Australia's positioning in the Asian Century?

Based on any global report Australia performs well on a per capita basis. We have proven that we can work and compete with markets overseas and we need more recognition for that. What I do not want to see is companies weakened and not adequately supported where they will be unable to compete internationally because there are a range of natural disadvantages in this country such as the strong dollar.

I get to meet a lot of people in the industry around the world and at times I am surprised about the naivity about how to engage with another country. People tend to forget the cultural issues and the economic drivers that differ from country to country. It takes time to get beneath the skin of a country and understand those differences. Australia is a bit of an open book. Some would say we are naïve because we are so trusting and straight forward; generally a handshake is enough to conclude the deal. However, that is definitely not the case everywhere. Hence, we need to get more streetwise in terms of understanding cultural differences.

Concluding we must realize that it is a global market place and therefore Australian companies requiring an international focus.

What would be your final message to our readers?

For all the fundamental reasons I have mentioned before, I believe that the world must look at Australia as a fantastic opportunity.
Generally, biotechnology will not change. People want themselves and their children to live a long and healthy life. That said, there will always be a growing demand for new technologies in healthcare. Furthermore, healthcare is recession-resistant because even if there is not a lot of money healthcare will remain a priority since it concerns people's lives. For that reason people will continue to look for new innovations in healthcare.

It is a young scientific area but biotechnology is only beginning to grow and is becoming increasingly important to people.

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