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'Biotech a marathon, not a sprint'

BY Karamjit Singh

A month after Multimedia Development Corporation (MDEC) announced the successful outcome of Phase 2 of the Multimedia Super Corridor's implementation, Malaysian Biotechnology Corporation (BiotechCorp) — the agency tasked with catalysing the biotechnology industry — revealed its achievements in Phase 1 of the National Biotechnology Policy (NBP) since its inception in 2005.

"In five years, the industry has attracted RM5.4 billion worth of investments, hit RM13.5 billion in revenue and created 54,776 direct and indirect jobs — 40% above the target of 40,000 jobs. With its 2.2% contribution to GDP, biotech has the potential to spur our economic development towards achieving high-income nation status in the context of the New Economic Model," says CEO Datuk Iskandar Mizal Mahmood.

Despite the gap of RM600 million between the actual and targeted investment of RM6 billion for Phase 1, the ratio of private to public investments remained favourable, Iskandar contends, especially considering the industry's early stage of evolution. "Furthermore, private investments recorded a surplus of RM200 million over the RM2 billion target for Phase 1," he points out.

When asked why no homegrown biotech company had captured the world's imagination yet or why there was no "sexy story" to sell in biotech, Iskandar replies, "Note that even developed markets such as the US take more than 10 years to develop a sexy story. It is a marathon, not a sprint. Plus, there have actually been a number of sexy headlines which you may have missed. The revenue of our BioNexus companies is 40% export-oriented while a commendable 50% of BioNexus companies are already generating revenue, although many are just beginning to grow out of their start-up stage."

He says companies such as Holista Colltech, Pure Circle, Sentinext, All Kosmos, Ar-Raudhah Bio-Tech Farm, BiofactLife and Asia Pacific Special Nutrients Sdn Bhd have commercialisation stories to tell.

While one of the headline stats that came from the MDEC update was the average salary of RM4,386 per MSC Malaysia status company employee, the number is lower for the 188 BioNexus companies.

The 2,541 employees have an average salary of RM3,381, according to Iskandar. The locally owned companies employ 1,948 people at an average salary of RM2,603 while those that are majority-owned by foreigners employ 593 people at an average salary of RM5,678.

Iskandar says most of the Bio-Nexus companies are in the start-up and small and medium enterprise stage. "But we are confident that the average salary will increase correspondingly with their revenue and Ebitda growth in Phase 2 of the NBP."

In terms of revenue, RM13.5 billion was secured against the target of RM20 billion amid the challenges posed by the 2008/09 global fi-



InnoBio researchers working in a process science lab in Nilai. The quality of InnoBio's software (people), hardware and processes has seen it winning business from global players. A BioNexus company, the progress InnoBio has made since it started in 2005 is a reflection of the progress made by Malaysia's biotech sector — slow and measured.

nanial crisis. Iskandar is confident though that the industry is recovering and will likely hit its growth targets between 2011 and 2015. The industry recorded a 2.2% contribution to GDP versus the targeted 2.5%.

Strong base forming

Considering that there was no semblance of an ecosystem in Malaysia at the time BiotechCorp started, the BioNexus companies indicate that progress in this area has been impressive.

Iskandar agrees that BiotechCorp has managed to develop a strong industry base. "We have put in place programmes for the BioNexus network, including entrepreneur and human capital development. We have enhanced industry access to R&D with the aim of promoting innovation and commercialisation. We have enhanced the profile of Malaysia as a global biotech hub."

Of the 188 BioNexus companies that have committed investments of RM1.96 billion, 53% are now in the SME category, 2% are mature while the remaining 45% are start-ups. Five companies are listed on the local and international stock exchanges with a combined market capitalisation of RM925.6 million.

Allocation under 10th Malaysia Plan

Under the Ninth Malaysia Plan, the government allocated RM2 billion to support the development of physical and soft infrastructure in the biotechnology sector. Of this, RM265 million was



Iskandar: We have enhanced the profile of Malaysia as a global biotech hub

allocated to BiotechCorp to undertake six developmental programmes in Phase 1.

While the purse strings have been significantly tightened going forward, BiotechCorp has been allocated RM50 million under 10MP, specifically for the Biotechnology Commercialisation Fund. As a result, says Iskandar, the agency has to prioritise programmes related to commercialisation activity.

Nevertheless, it submitted a proposal for more funds at the recent 2nd Biotechnology Implementation Council Meeting chaired by Prime Minister Datuk Seri Najib Razak. Says a hopeful Iskandar, "Given the results of Phase 1 as laid out to the council, we are confident that the government will consider our proposal favourably."

Human capital needs

A constant concern since the beginning of the NBP has been the quality and quantity of human capital in the biotech-related fields. While BiotechCorp initially relied on universities to address this issue, in the past few years, it has taken on a proactive role, urged on by the biotech industry.

A key programme has been its Biotechnology Entrepreneurship Special Training under which 1,040 students have been trained. Of these, 75% have secured employment in the industry while 25% have decided to further their studies or start their own business ventures.

Under its successful Biotechnology Entrepreneur Programme, BiotechCorp has completed 16 mentoring courses, 14 international conferences

and dialogues and organised 31 biotechnology entrepreneur workshops. The results of these programmes saw:

- 274 new entrepreneurs and researchers trained;
- 47 new ventures created; and
- 35 Malaysian researchers networked with international venture capitalists and industry experts.

"Our BioNexus Partners Programme saw the successful creation of a network of 56 laboratories and units owned by public institutes of higher learning, government-linked companies and research institutes. The utilisation rate of the laboratories/units has now reached 87.5%. The end game of this programme is to foster academia-industry partnership and in this regard, we are very encouraged by the utilisation rate," says Iskandar.

On the all-critical Phase 2, Iskandar says "it is about creating impact". "We are intensifying efforts to accelerate commercialisation and move the companies rapidly into the market. We have set even higher standards in Phase 2 with targets of RM9 billion in investments (up 50%), RM50 billion in revenue (up 150%), 80,000 employment opportunities (up 100%) and lastly, 4.5% contribution to GDP."

Continuous government support is crucial, especially for such a young industry. "Looking at the momentum and with support from the government and industry, I believe we will be able to achieve these targets by the end of 2015," says Iskandar.

There are three implementation phases in the NBP. The first phase (2005 to 2010) is for capacity building, the second phase (2011 to 2015) is for commercialisation while the third phase (2016 to 2020) will focus on globalisation.