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INTERVIEW

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Private Equity

Denis Lin, Ph.D.
President and
Chief Executive Officer



Tandem Labs has a 21-year history of applying scientific knowledge and technology to solutions in the life sciences. Since 1992, Tandem Labs has applied mass spectrometry and more recently immunochemistry expertise in support of new drug development for the pharmaceutical, biopharmaceutical and biotechnology industries.

www.tandemlabs.com Phone: 801-293-2400

Denis Lin, Ph.D., President and Chief Executive Officer, spoke with Wall Street Reporter Magazine on June 27, 2005



WSR: A major announcement for you that DW Healthcare Partners invests in Tandem Labs and positions the company for rapid growth, as the headline reads June 22. Can you tell us a bit about this recent funding and also what the company's plans are for expansion?

LIN: We certainly believe that this particular investment by DW Healthcare Partners is an important event for our company. In the 20-year history of Tandem Labs, it has been fundamentally very strong, but until recently has not practiced a very aggressive growth strategy, and as you all know, growth requires fuel. DW Healthcare Partners really analyzed every aspect of our company and found that our strategy as well as our management team was worth the investment.

So, Tandem Labs is very excited about the potential for us to execute our business plan. We are now positioned for rapid growth. Our goal is to become the market leader in our market niche.

WSR: And let's discuss that market niche; how would you outline your current market focus and your core competencies?

LIN: Our general market focus is as a Contract Research Organization (CRO). Depending what reports you read, the size of this segment this year is probably in the \$3 billion to \$5 billion range. There are two types of businesses in this market. One is what you call vertically integrated and the other is highly specialized. Some of the vertically integrated companies are Covance, Quintiles and PPDI. They are really the big boys in the market. Tandem Labs, in contrast, is specialized. Our focus is in the bioanalytical services area. As you know, taking a new medicine to market can require various stages of support from CRO's. We are geared to provide the specialized analytical laboratory results in every phase of drug development. We contract with large pharmaceutical, biopharmaceutical, biotech and innovative research companies.

WSR: What are your competitive advantages in comparison to some of the peers you have mentioned?

LIN: Tandem's position in the niche inevitably developed because our core competence is technical expertise: as our scientists would describe it, we are rocket scientists! Yet the problem with a lot of companies is that when you come from a tech-

nical world, you are not accustomed to servicing the client. So, all my life I have been trying to marry the two, meaning science and business, and I think I finally got it right from the standpoint that one of the cultures we have within Tandem Labs is what is called client-centricity. This means that we really focus on clients and are sensitive to the client's needs — be they technical or service oriented. Technical needs are obviously very important — otherwise clients wouldn't come to us. So, our focus is two-fold, first is the technical quality, which has to be world class and if it can be done at all by the laws of nature we can do it. Second, we focus on the sensitivity of the client's timeline in taking new medicines to market.

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WSR: Looking at the company from a standpoint of the services provided, how much of it really depends on good information technology and how much of it is really good project management?

LIN: They are both very important. There are only a handful of companies, I believe, in the world that can do what we do well. Science based companies have to stay in the forefront. Tandem's core competency is vested in our scientists, who travel all over the world to attend the latest symposiums to stay current

on the latest technology. We stay focused on how we can assist pharmaceutical companies at all times. In addition, information technology is extremely important because the FDA requires good laboratory practice (GLP) guidelines and meeting the GLP requirements is part of our business. At the present moment I would say that the GLP part of our business represents roughly 40% or 50% of our effort. So, not only do we have the two good sides, we have to document that in such a way that the FDA has confidence in the numbers that are generated. The detail required is such that you can always throw more people into the project, but at a certain point in time the complexity will become chaos. So, we invest heavily in automation, especially information technology in order to avoid this chaos. When good automation is employed, then project managers have the ability to wrap their arms around the issues involved. Our thinking is, if you tell the truth all the time to your client, they will be able to go through the process with you. Our project managers provide a single point of contact to the client. Project managers are technically

capable of discussing the problems our clients have with their projects. In the end, if certain new compounds have certain characteristics and if the laws of nature allow us to quantitate them properly, we will find a way. We undergo a journey with our client, there is a partnership with our client, and we are very grateful that the people who work with us appreciate what we can do.

WSR: I understand you also intend to further augment your existing mass spectrometry technology in biomarker capabilities in light of this funding. Can you give us a sense of how much is necessary in terms of augmentation and the existing state of your mass spectrometry technology?

LIN: Mass spectrometry has been around for a long time yet it is amazing how that technology has evolved over the past ten years. So, there will consistently be improvement in how to do things better, easier, faster, etc. At Tandem Labs it is a priority to always stay on top of this science. As far as the biomarker side, we became interested in this field because drugs are now so potent, and in some circumstances are so specific to individuals in terms of their reaction to certain drugs, we realize that personalized medicine is around the corner. To show that you have to be able to monitor whether the drug is effective in certain people, their genetic make up or the proteomic make up. So, they follow it through the debarment process using biomarkers. The biomarker market is very exciting mainly because of how people now recognize that there are ways to meet their debarment needs and the diagnostic process that are more suitable ultimately to treating and curing patients.

WSR: In conjunction with the services that you mentioned, I understand that accretive acquisitions are also part of your growth strategy in this market space.

LIN: As I said, there are a few big boys out there and they have a tendency to have their name out there, and because people recognize the name, they go to them. But for the things we do, we believe if we can create a family of laboratories with the same culture, meaning the high quality as well as the client-centric focus, we will have a better competitive advantage over the "big boys". We are focused in our niche, and I must say our clients do find that in the equation of getting new medicine to market, the niche providers can perhaps do a better job. So, our goal with acquisitions is to put together a number of high quality laboratories and, because we can put them together, create the capacity of a big company. So, not only can we do jobs well, we also can effectively accomplish projects that some clients need. We want to break the barrier — we don't want to be part of just a small capacity company. We



want everybody to think of us as the problem solver, as well as the capacity-enabled company, that can help them do the big job as well as the special job.

WSR: Certainly an important vote in confidence here for the company and its capabilities, also for the people behind the mission — tell us of the team behind the company, starting with yourself.

LIN: I have a PhD in Mass Spectrometry and I have been in laboratory management for the past 25 years. So, I understand the needs of business and the scientific side. So, this is a balancing act and we are always trying to make sure they are both done right. What makes this company successful is really the team that I have put together. I have a very strong team, mainly because from marketing and sales to getting the job done right and getting the financial number right, every member of the team (I can name them all) is an expert in his field. It is a pleasure to work with them, especially when you have people that are experts working together, recognizing the other's expertise. And so, we will demonstrate our capability as we go along, building this company to the next level.

WSR: What trends might affect the way in which you position the company? What should we watch for in the next 6 to 12 months in this field?

LIN: I think the interesting part is that just like anybody else, you think of an idea and somebody else has the same idea, too. So, there are people out there perhaps trying to apply the same strategy. Also, one of the bigger companies got into trouble with the FDA and we don't know exactly how that whole event will shake out in the end. There are opportunities out there for those people who want to go forward, they can make it happen. I think also that business in a certain sense is predictable, there is a growth cycle in certain markets and often consolidation happens. I think we are at the beginning of seeing that happen in our niche.

WSR: And in closing, what are the most compelling reasons we should follow Tandem Labs?

LIN: I think it is our history, if you dig back, in the past 5, 10 years, of always very diligently using our resources to grow. We were a tiny little company when I first joined Tandem in 1994 and in the past year we had two businesses. We divested one and we focus now on our bioanalytical and biomarker offering. So, we have a history of being able to change and grow. With DW Healthcare Partner's investment, that is what I have been looking for in the past two, three years to move us forward. I think we will use these resources diligently to achieve our goal and we have a team of very ambitious people who want to do well with the company. ■