

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

BioClinica, Inc. (BIOC)



MARK L. WEINSTEIN has led BioClinica — formerly Bio-Imaging Technologies, Inc. — as the President and Chief Executive Officer since February 1998. He has also been a member of the board of directors since March 1998. Mr. Weinstein joined Bio-Imaging Technologies, Inc., in June 1997 as Senior Vice President of Sales and Marketing. Prior to joining Bio-Imaging Technologies, Inc., he was the Chief Operating Officer of Internet Tradeline, Inc., an Internet-based electronic solutions provider. From July 1991 to August 1996, Mr. Weinstein worked for Medical Economics Company, an international health care information company and wholly owned division of The Thomson Corporation. He held several senior management positions at Medical Economics Company, serving finally as President and Chief Operating Officer of the International Group. Mr. Weinstein received his bachelor's degree in

economics from the University of Virginia and his MBA from the College of William and Mary.

SECTOR — PHARMACEUTICALS

TWST: Please begin with a brief historical sketch of BioClinica and a picture of the things you are presently doing.

Mr. Weinstein: We recently rebranded to the name BioClinica, but the former company, Bio-Imaging Technologies, was founded 19 years ago in 1990. From 1990 to 2007, the company was solely focused on medical image management services for clinical trials — a very good, profitable and growing business. In 2008 we made a strategic decision to move beyond medical image management into the e-clinical arena. We had been watching the space for several years and based on adoption rates of using electronic systems to conduct clinical trials exceeding 50% of new studies, we thought it was an opportune time to enter the space. Our entry point was the acquisition of Phoenix Data Systems. PDS was founded in 1997 and provides electronic data capture, EDC, interactive voice response, IVR, and data management services to pharmaceutical and medical device companies. Based on our expansion beyond medical image management, we rebranded the company earlier this year to be BioClinica. Since rebranding the company, we have already made two additional acquisitions, CardioNow and Tourtellotte Solutions, to expand our product and service offerings.

TWST: Are there any other companies working along the same lines as BioClinica? If so what are your advantages over them?

Mr. Weinstein: We do have competitors, which validates the market need for what we do. I think our long-term view of how you build a sustainable, solid business is different from many other companies that we compete with. If you look at how we built our medical image management business, it is a testament of how we will approach the entire e-clinical space. Historically, we have always been strong in two of the primary areas where medical imaging is used in clinical research, oncology and musculoskeletal. We felt that in order to provide the most comprehensive services to our clients, we needed to round our offering out to the other two areas where imaging is used, i.e., cardiovascular and central nervous system disorders, CNS. Based on this, we sought out and acquired two separate companies, HeartCore in 2004 and Theralys in 2007. With these acquisitions we are the only company that deals with medical imaging that covers all the four major therapeutic areas where medical imaging is used in clinical research. This is a true differentiator in the market and is what pharmaceutical clients are looking for as they make decisions on preferred providers to their organizations. We

are now taking that same strategy to the rest of the e-clinical market. We acquired PDS as an entry point and will now be organically growing that business, and making acquisitions that will expand and differentiate our offerings from our competitors. In fact, we have already made two acquisitions since PDS that expand our services and client base. Tourtellotte Solutions, one of the acquisitions, expands our services to include drug supply scheduling and optimization. Between our offerings today, we deal with 100% of the top 10 pharma, 95% of the top 20 pharma and 75% of the top 50, plus over 100 companies that fall below those thresholds. Our depth and breadth of products and services combined with our expansive client set is a true differentiator in the marketplace and will be strengthened as we grow and make additional acquisitions.

TWST: Earlier you mentioned the acquisition of Phoenix Data Systems, but you have also purchased CardioNow, Tourtellotte Solutions. How is integration coming along and what is your management team looking like?

Mr. Weinstein: All integration work is on schedule and I am very pleased with our management team. We're very fortunate on the medical image management sector of our business to have a very deep management team, which has been built over the past 12 years. This team is responsible for the integration of CardioNow. The Tourtellotte Solutions is just 3 weeks old, so it is early but we've already had a number of meetings between the e-clinical groups, as well as we have meetings set up with two of the top five pharma to talk about future potential work. So it's going well.

through the adoption phase of the business to the point where we're probably looking at organic growth rates of 10% to 12% going forward. The growth opportunity in the e-clinical market is greater because for the next three to five years, we will moving through the adoption phase of the services we are and will be offering. In fact, there are close to 50% of the clinical trials that are still being run on paper. So as we bring these clients into the e-clinical world from paper-based systems, we will be looking for 15%-plus growth. Success will be a combined growth rate that exceeds the market growth rate because that would mean that we are taking market share.

TWST: Specifically, what are the dynamics on the balance sheet as you look at that three-year run as far as cash, capital requirements and reserves are concerned?

Mr. Weinstein: We have always managed the company in a fiscally conservative manner, which has helped over the past year. Today we have around \$14 million in cash and no debt, and we generate anywhere from \$6 million to \$8 million in EBITDA every year. So we've got a good cash flow. If we do find acquisitions that go beyond our current capital means, we've had a number of people talk to us about the potential of getting involved with us through either equity or debt to facilitate a transaction. Money has been hard to find over the past year, so we have been pleased that we are so well capitalized at this point. We have seen that if you are a company that needs money, it's been a very, very difficult market. We view that as an opportunity to go out and find some potential acquisitions that work for us because we do have the money.

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TWST: What's on the agenda, when you look out over the next 12 to 24 months? What specific accomplishments would make that time frame a success?

Mr. Weinstein: Over the next 12 to 24 months, we're looking for the world to return to the new normal, although we're all trying to figure out what the new normal will be. We have maintained profitability for this year but like many others, our revenues have been down a little due to the overall economic situation. We are now seeing an increase in proposal activity, which is a precursor to seeing our revenues and profits increase. Based on what we are seeing, we are very bullish that in 2010 and beyond that we will be returning to the growth trajectory we had for several years leading up to 2009. Different parts of our business are at different points in their adoption evolution. In the medical image management portion of our business, we've lived

TWST: Are there any recent FDA initiatives that have impacted BioClinica?

Mr. Weinstein: In general, the ultimate judge of our work are the regulatory authorities, the FDA here in the United States or EMEA in Europe. If anything, things are actually getting more stringent as it relates to conducting studies in a regulatory-compliant manner using regulatory-compliant systems. Given our experience and knowledge, we are fine with this scrutiny and rigor. To give you an example, last year we were audited by about 48 different pharmaceutical companies and never received any major deficiencies. The number one mandate of the regulatory authorities is consumer protection and consumer safety. So given some of the events that have been in the press with some problem devices and drugs, I think that sensitivity is actually going up to the point where they are going to be more rigorous, as it relates

to making sure you run these studies correctly. Being a vendor in the space for so long with a great established track record, I think that's to our benefit because it's a much higher barrier to entry for new players.

TWST: When you look at your growth plans and the strategies for BioClinica, are there any M&A activities underway? Is there anything else in the pipeline you would share?

Mr. Weinstein: Yes, there is a lot in the pipeline but nothing has been publicly reported, so unfortunately I can't share with you. We see tremendous opportunities for organic growth and acquisitions. For many years, pharmaceutical companies have operated in a very siloed fashion, i.e., not enough coordinated efforts between various factions or departments. So what has happened is you have ended up with a lot of siloed solutions that go into pharmaceutical companies. Siloed solutions end up being very expensive because at some point in the process, all of these systems have to be reconciled so the information can be analyzed and submitted to the regulatory authorities. By developing integrated solutions, we can save our clients time and money. We evaluate every potential acquisition on its ability to be best in class for the function it performs and on our ability to integrate it into our suite of products and services. We're finding a lot of interest in pharma, in trying to understand how you do research more efficiently. We think offering integrated solutions, which means doing additional acquisitions, is very important to the future.

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TWST: What are the potential home runs over the next two to three years for BioClinica? What could cause higher-than-expected growth or profitability for the company?

Mr. Weinstein: I think situations such as a Tourtellotte Solutions are a good example of an acquisition that could turn from a single or double into a home run. Tourtellotte Solutions is very interesting. The group of people that come to us with Tourtellotte are very, very talented. Their professional and systems expertise is in the area of drug supply tracking, scheduling and optimization. What we did is we looked across the horizon of clinical research and realized that one of the highest-cost items as far as running clinical research programs is actually providing the manufactured material or devices that go into the studies. We believe that a system that optimizes your product supply chain based on the parameters of your study and then continually im-

proves your forecast based on actuals can be a huge winner because of the extreme ROI it can produce. This is what our TcVisualize product from Tourtellotte Solutions does. Another interesting and relevant point with Tourtellotte is that historically TcVisualize has only been available at the enterprise level for major pharma. In fact, we have three of the top five pharma that are using the Tourtellotte solutions today. Now because of our e-clinical base in small and medium-size pharma through BioClinica Express, we will now offer them the same solution that the top pharma in the world has for a very cost-effective price on a per-study basis. So we're going to open doors that hadn't been opened before, and that is very, very good revenue and very profitable business for us.

TWST: Tell us about your own experience and involvement with this company. Would you give us a frank assessment of your current management team? Do you feel you have the bench strength and skill sets for the next two- to three-year run for this company?

Mr. Weinstein: I've been here at BioClinica, formerly Bio-Imaging Technologies, for 12 years. When I arrived we were very small, about 20 people, and had revenues of less than \$5 million. We now have about 460 people at the company and will have total revenues of about \$70 million this year. I am very comfortable with and have a tremendous amount of confidence in our management team. Our BioImaging Services management team has a very deep bench because we have been building that

since 1990. I am very proud to say that we have not lost any key member of our management team since I have been here. Our e-clinical solutions also has an experienced management team. We are going to be strengthening that team as we make additional e-clinical acquisitions. People are very important in this business because clinical research is made up of many disparate parts. Many times when you look at acquisitions, the people involved are more important than their product. On the corporate level, we have got a very strong bench that has the ability to evaluate potential transactions, structure the transactions and close deals. On the corporate level, we also take care of all back-office needs that the operating divisions have. We do this so our operating divisions can really focus on growing the business. We are in great shape for the next two or three years and are committed to build a management team commensurate with the size of our business as we grow.

TWST: Would you care to comment on your current stock price?

Mr. Weinstein: Our current stock price is starting to pick up a little bit. It's probably rare to meet a person who says their stock price is as high as it should be. When the market went down last fall a little over a year ago, our business had not changed but we went down with it. Overall in the clinical research outsourcing market, stocks were down anywhere from 50% to 70%. We took about a 50% haircut in our stock. We are still profitable and nothing has fundamentally changed in our business except our valuation. We are finding that we are starting to get attention and uptick with our move into the e-clinical space. I think it's been a little bit of a show-me attitude by the market. I feel very comfortable that if we continue to do what we say we will do every quarter, it will be recognized in our valuation. We have guidance out there now for \$57 million to \$60 million in service revenues and \$0.18 to \$0.21 EPS for the year. As we grow organically and make additional acquisitions, it will provide the catalysts that we need for more market attention and increased valuation. We always say that if we make the "E," then "P" will come.

TWST: Do you believe the financial markets have given you due credit for BioClinica's progress and successes?

Mr. Weinstein: I think they're starting to. We probably spend one or two days a month doing investor meetings throughout the country. People that understand our market and know our history as a company believe that there is very little downside risk in our stock and a tremendous amount of upside opportunity.

TWST: Have there been any hurdles or barriers that you've had to confront when meeting with investors? Are there any misperceptions that you encounter on a regular basis?

Mr. Weinstein: I mentioned that our name was Bio-Imaging Technologies, and one of the reasons we changed it to BioClinica is that there was confusion in the marketplace as we moved into other e-clinical areas beyond imaging. By changing to BioClinica, which we did at about the end of April this year, we have created a super-brand that we can grow within without creating confusion in the market. Thus far, we have been very happy with our new super-brand. We also changed our stock symbol from BITI to BIOC to stay consistent with our new name and to move beyond our historic core offering in the medical imaging area. We are looking forward to further enhancing our brand by expanding current services and adding new services.

TWST: As the top manager, what are your basic business principles and management philosophy? What are the underlying themes that you rely on to set the goals and course of conduct for BioClinica?

Mr. Weinstein: Personally and professionally, I always take the high road. Ethical behavior is paramount from my perspective to build a substantial, sustainable organization. I work very hard to instill these same principles in everyone that works at BioClinica. If you want to grow a successful organization, you have to realize that as a senior manager you are not the person actually doing the work, and that you are dependent on many people doing the right things every day in order for the company to succeed. I believe the only way to ensure this is to lead by example and not tolerate anything other than impeccable integrity.

TWST: What two or three reasons would you give the long-term investor to buy BioClinica today?

Mr. Weinstein: I think there are a couple of primary drivers. One is pharmaceutical development is not going to slow down. We are all getting older. A large number of blockbuster drugs are coming off patent in the next three to five years, so there is inordinate pressure to find the next blockbusters and to get them through regulatory approval and commercially launched. With that said, there is no shortcut to the approval process. You have to prove that drugs and devices are safe and efficacious; hence you must conduct the necessary clinical research projects, which means using our products and services. So I think the core business is very, very strong. Secondly, if you look at our competition in our space, you will see that we are unique in our diversification from the smallest virtual pharma up to the number one pharma in the world. I think it gives us a tremendous platform from which to grow and mitigates the risk in our business compared to our competition. The third pillar of strength is the financial strength we have as a company, i.e., cash in the bank, no debt, profitable and generating cash. So in summary, I believe we provide our investors with very limited downside risk and tremendous upside potential in the next three to five years.

TWST: Thank you. (KL)

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