

MedPointe Seizing opportunities in the specialty market

The acquisition of Carter-Wallace's health-care business has created a new force in the specialty pharmaceutical marketplace

by Med Ad News Staff

Private investors and former executives from big pharmaceutical companies saw a big opportunity in **Carter-Wallace Inc.** and seized it. Wallace Pharmaceuticals and Wampole Laboratories, Carter-Wallace's health-care businesses, were bought by a group of investors and renamed **MedPointe Inc.** MedPointe's management team has a wealth of pharmaceutical experience, which executives say will add value to the company and help MedPointe grow into a world-class specialty health-care business.

MedPointe (www.medpointeinc.com) is a specialty pharmaceutical company. MedPointe's Wallace Pharmaceuticals division develops and markets branded prescription therapies. The Wampole Laboratories division markets diagnostic tests and tools. On a pro-forma basis for the 12 months ended March 31, 2001, MedPointe generated consolidated net sales of about \$220 million. As of Oct. 1, 2001, MedPointe had about 525 full-time employees, including 275 in field sales and sales management. The company is headquartered in Cranbury, N.J., with plans to relocate to Bridgewater, N.J., in mid-2002.

Executives at MedPointe say their goal is to build a world-class specialty health-care business. "Carter-Wallace is a health-care products company with a long history and strong assets," says Anthony Wild, Ph.D., chairman and CEO of MedPointe. "The job now is to capitalize on those assets through increased emphasis on sales and marketing, product development, and licensing. We have a long road ahead of us, but we are confident that the Carter-Wallace health-care business provides an excellent platform for growth."

MedPointe was formed Sept.

28, 2001, through the acquisition of the health-care business and corporate stock of Carter-Wallace. A group of investors led by private equity investment companies **The Carlyle Group** and **The Cypress Group** acquired the company for \$408 million. Other investors in MedPointe include **Ferrer Freeman Thompson & Co.**, a private equity company that invests exclusively in health-care companies, and **Frazier & Co.'s** Healthcare Funds, a provider of venture capital and growth equity to early-stage and high-growth health-care companies.

Carter-Wallace was a publicly held health-care and consumer products business. Carter-Wallace had a mature consumer product line and a growing pharmaceutical business when the company ran into a major

problem after the U.S. launch of the epilepsy drug **Felbatol** (felbamate). The product was approved in August 1993 for partial seizures with and without secondary generalization in adults and for Lennox-Gastaut syndrome. Carter-Wallace executives had believed that Felbatol had the potential to be a billion-dollar drug, but the product produced severe side effects in patients and was linked to 10 cases of aplastic anemia. In August 1994, the Food and Drug Administration recommended the immediate withdrawal of patients on Felbatol. The product still is on the market, but Felbatol has severe labeling restrictions and a black-box warning. Felbatol sales are about \$10 million a year.

As a result of the Felbatol problem and other setbacks, Carter-Wallace's management reduced its expenses. The sales force was scaled back and research and development programs were shut down. In 1998, executives decided to sell the company.

Dr. Wild, who is the former president of the global pharmaceutical sector of Warner-Lambert Co., formed **MedPointe Capital Partners LLC** in the summer of 2000 with three colleagues. The group's objective was to look for one or more opportunities to acquire and build a specialty pharmaceutical business. Of more than 40 business opportunities, the group determined that the health-care business of Carter-Wallace offered the most attractive target. MedPointe executives say the size of Carter-Wallace's health-care business, which recorded net sales of \$222.7 million in 2001, was a sizable opportunity. Other attractions were Carter-Wallace's sales force and the company's reputation.

"We identified this opportunity as being a wonderful

MedPointe's management team



Sitting from left: John Bridgen, Ph.D., president of Wampole Laboratories; John Hawkins, executive VP, corporate development/external affairs; James Burns, president and chief operating officer; and Anthony Wild, Ph.D., chairman and CEO

From left, standing: Gerald Messerschmidt, M.D., senior VP, medical and scientific affairs; Bruce Friedman, corporate VP, supply-chain management; Beth Hecht, senior VP, general counsel, and secretary; Thomas Gerstmyer, president of Wallace Pharmaceuticals; Paul Herendeen, executive VP and chief financial officer; and Bernardo Tafur, executive VP, human resources and administration

platform with which to build a sizable business down the road," Dr. Wild told *Med Ad News*. "Carter-Wallace is based in the heartland of pharmaceuticals, in New Jersey. The location was good, we liked the people, we liked the products, so we pursued it." On May 8, 2001, MedPointe Capital and Carter-Wallace completed negotiations and signed the deal.

The management team of MedPointe comprises senior, seasoned health-care executives led by Dr. Wild. James S. Burns, former group president at medical-device company **BD & Co.** (www.bd.com), is president and chief operating officer of MedPointe. John T.W. Hawkins, the former head of the global health-care sector at the executive search firm **Russell Reynolds Associates** (www.russreyn.com) and a managing director of MedPointe Capital Partners, is executive VP, corporate development and external affairs.

Paul S. Herendeen, who was executive VP of the specialty pharmaceutical company **Galen Holdings Plc.** (www.galenplc.com), is MedPointe's executive VP and chief financial officer. Bernardo L. Tafur, who was senior VP, human resources of the pharmaceutical group at **Pfizer Inc.** (www.pfizer.com), is MedPointe's executive VP, human resources and administration.

Beth P. Hecht, who was VP, general counsel, and secretary for specialty pharmaceutical company **Warner Chilcott Plc.** (www.wclabs.com), generic pharmaceutical company **Alpharma Inc.** (www.alpharma.com), and pharmaceutical outsourcing company **ChiRex Inc.** (now **Rhodia ChiRex**), is MedPointe's senior VP, general counsel, and secretary. Serving as MedPointe's senior VP, medical and scientific affairs, is Gerald L. Messerschmidt, M.D. Dr. Messerschmidt has held senior executive positions at medical-device company **C.R. Bard Inc.** (www.crbard.com), biotechnology company **DNX Corp.**, and pharmaceutical company **Ciba-Geigy Corp.** (now part of **Novartis**). He is the former president and CEO of the biotechnology company **Kimeragen Inc.**

Dr. Wild says the management team's wealth of pharmaceutical experience will help grow MedPointe's business. MedPointe is retaining the experience of Carter-Wallace executives. Thomas G. Gerstmyer will continue as president of Wallace Pharmaceuticals and John Bridgen, Ph.D., will continue as president of Wampole Laboratories. Bruce C. Friedman, who was Carter-Wallace's VP of operations for the manufacturing division, is corporate VP, supply-chain management. Timothy G. Henner, who was Carter-Wallace's VP and controller, manufacturing and quality control, is VP and corporate controller of MedPointe. Michael A. Tropiano, formerly Carter-Wallace's assistant treasurer, is VP and corporate treasurer of MedPointe.

The Wallace Pharmaceuticals portfolio

medPointe

making medicine better

The health-care products and reputation of Carter-Wallace are being used as a platform to launch the specialty health-care company MedPointe

includes the allergy medicine **Astelin** (azelastine), the only prescription antihistamine approved by the Food and Drug Administration for both seasonal allergic rhinitis and nonallergic rhinitis. The portfolio includes the cough-cold product line **Rynatan/Tussi** (phenylephrine, chlorpheniramine, and pyrilamine), the muscle relaxant **Soma** (carisoprodol), and **Felbatol**. The Wampole portfolio includes professional laboratory and physician-office diagnostic products.

MedPointe Capital did not purchase Carter-Wallace's consumer products business. MedPointe executives say the management team's background is based in pharmaceuticals and diagnostics, not consumer products. In a separate transaction, Carter-Wallace sold the assets of its consumer-product business for about \$739 million to **Armkel LLC**, a partnership of consumer goods company **Church & Dwight Co.** (www.churchdwright.com) and the private equity group **Kelso & Co.** Carter-Wallace's consumer businesses posted sales of \$558.7 million in 2001 and includes brands such as **Arrid** antiperspirants, **Trojan** condoms, **Nair** depilatories, **First Response** pregnancy test kits, and **Lambert Kay** pet-care products.

MedPointe's business focuses on the United States, but executives are planning to expand that focus to international markets through acquisitions. The company's salesforce will be increased by 200 to 300 in the next few months, according to Dr. Wild.

Executives plan to capitalize aggressively on business opportunities through product acquisitions, joint promotion, joint ventures, licensing, and other partnership arrangements, especially in the areas of allergy, cough-cold, pediatrics, and epilepsy and central nervous system treatments.

"Making investments, bringing in new products, developing those products, making investments in research and development, making investments in people, and building the sales and marketing infrastructure are going to lead to a very vibrant and healthy business," Dr. Wild says.

Executives say they are confident that the company will succeed. The specialty pharmaceutical sector is one of the most vibrant and promising in the health-care industry, and big pharma's emphasis on promoting blockbuster drugs means that there are many high-quality, FDA-approved pharmaceuticals that do not receive adequate promotion. Specialty pharmaceutical companies provide a platform for these therapies by focusing on market niches and

specific therapeutic categories.

"As big pharmaceutical continues to consolidate, the companies are getting bigger and bigger and they have a lot of products that they can no longer devote time to," Dr. Wild told *Med Ad News*. "Big pharma is starting to divest a lot of the smaller products that are languishing in their portfolios. There are also smaller opportunities for smaller diseases, rarer diseases, with sales potential that may be no more than \$50 million, \$100 million, or \$150 million, and at that level, big pharma cannot afford to invest any time or money into these products."

Significant, high-growth, niche opportunities are available to the company in the diagnostic industry because of the evolution of new tests in areas such as infectious disease, autoimmune disease, cardiovascular risk assessment, the increasing health-care needs of an aging population, and the potential for linkage between pharmaceuticals and diagnostics in treatment.

"We believe that specialty products — marketed and managed effectively — offer substantial opportunities that MedPointe can bring to fruition," Dr. Wild says. "Not every product needs to be a blockbuster drug to be a successful part of the health-care products market."

MedPointe is actively exploring opportunities to enter other niche markets effectively served by a specialty salesforce, such as women's health and dermatology. MedPointe managers plan to pursue a variety of business development initiatives including product acquisitions, line extensions, licensing, joint-promotion arrangements, and reformulations of already marketed products.

Although MedPointe is a privately held company, executives expect to have an initial public offering ready in two to three years. "We think our growth aspirations will require a lot of capital and that is best obtained in the public market," Dr. Wild says.

MedPointe executives are not rushing to hold an offering, however, because the company's main backers, The Carlyle Group and The Cypress Group, have taken a long-term strategic position in MedPointe. "They have told us that they see their investment in MedPointe to be about a five-year investment," Dr. Wild says. "The plan is to think in terms of an initial public offering in two or three years time. A lot depends on how the market is ... and it also depends on how well we execute our business model and generate growth. Without a good track record of growth it will be difficult to take the company public." □