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## MedPointe Rising

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EXECUTIVE PROFILE

# MedPointe Rising

## Anthony Wild, James Burns, and John Hawkins Forge a New Company

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Editor-in-Chief

Watch that step! From the largest to the smallest companies in this industry, it's a big one. Even so, some notable executives have made the move—leaving the ranks of giants to join the second tier, though rarely by bringing a new company into being. This is one of those uncommon stories.

Three intrepid industry veterans have abandoned the safe haven of Big Pharma to create an entrepreneurial company based on a different model: "specialty products." They are Anthony Wild, chairman and CEO, James Burns, president and COO, and John Hawkins, executive vice-president of corporate development and external affairs for the newly minted MedPointe.

With contagious enthusiasm, the three execs chronicle their purchase of the Rx and medical diagnostics businesses of Carter-Wallace at MedPointe's core, with over $200 million in annual sales. Wild brings years of big pharma management experience to the enterprise, most recently as head of global pharmaceuticals at Warner-Lambert, which he left after co-leading its merger with Pfizer. Burns has an equally deep background as a healthcare operations executive and venture capitalist, as does Hawkins in pharma business development and recruitment.

MedPointe began as an idea scribbled on a napkin, when Burns and Hawkins met in a Wash-

MedPointe's Chairman and CEO Anthony Wild is flanked by partners James Burns, president and COO (right) and John Hawkins, executive vice-president of corporate development and external affairs (left).

## At a Glance

**Company:** MedPointe

**CEO:** Anthony Wild

**Location:** Cranbury, NJ

**Employees:** 525

**Market:** cough/cold medicines, antihistamines, muscle relaxants, and anti-seizure treatments as well as diagnostics

**2000 Sales:** $220 million

ington restaurant to mull over recent industry mergers and acquisitions. They envisioned a smaller, niche company stocked with unique but solid products and Big Pharma expertise. With perfect timing, they approached Wild with the idea and won his commitment to run the new venture. His credentials and experience proved essential in securing the major finances necessary to purchase Carter-Wallace's businesses, attract talented managers, and drive future acquisitions.

In pharmaceuticals, the company's renamed Wallace Pharmaceuticals division will market specialty products such as Astelin (azelastine), a nasal spray for all forms of rhinitis, and others in the allergy/respiratory, cough/cold, pediatric, and epilepsy/CNS categories. (See "Specialty Lines," page 7 and "Rising Product," page 8.) Meanwhile, the company retains the well-established Wampole Laboratories, a diagnostics supplier. Carter-Wallace's line of consumer products went to another purchaser, Church and Dwight.

Wild, Burns, and Hawkins reveal how they accomplished what amounts to a relaunch of a company under a new identity, from conception to reality. They also share details of plans for using their deep-pocketed source of funds to further acquire products, companies, and people as they bring new life to a once moribund industry sector.

### Full Complement

When Wild introduces himself and his team members, he takes special note of their differences. A British northerner, more than 30 years away from his Yorkshire home, Wild has worked his way to the top of global pharmaceutical management. His teammates have taken more peripheral routes to pharma, through the circles of finance, start-up companies, and business development.

"We have, on the management team, very diverse and experienced backgrounds," Wild explains. "We're applying those vigorously to the new business model. Without wishing to sound immodest, we have an incredible depth and breadth of management talent—not just here, but also in the other executives we've brought onto our team. A lot of start-up operations lack that strength."

Having such a "deep bench" made a difference in investor willingness to consider the MedPointe plan over many other proposals. "Even before Carter-Wallace came along," Wild says, "when we were talking about a more general model, we spoke to a number of people and lined up the financing. They felt ours was a more credible management team because we had actually run and successfully built organizations at both operational and strategic levels."

Among the founding executives, Wild also sees a complementary set: "My background is Big Pharma, so I do not have an in-depth knowledge of the capital and financial markets. Jim and John have a lot of that experience, and the CFO we brought in, Paul Herendeen, has an incredible amount. I bring a different perspective—a vision of what the company can be down the road once we have a sizable business."

To balance his large-company view, Wild notes that much of his past experience involved running smaller pharma units around the world: "So I'm not just flying at 30,000–40,000 feet, as at Warner-Lambert, where I finally managed more than 20,000 people and ran an incredibly successful pharmaceutical business. I'm also happy with managing just a few hundred people and rolling up my sleeves. It's very exciting being able to work with such a talented team, starting off this new business."

## Sudden Brainstorm

Personal and business reasons obviously combined to motivate this comfortable but still lively executive to plunge into the entrepreneurial sea of sirens and sharks. "Well, I could blame these guys," jokes Wild. Sure enough, Burns and Hawkins entered the scene at just the right time for Wild to be receptive.

Wild and Pfizer's Hank McKinnell, as joint chairmen of the "integration taskforce," had just reached the final stages of the Warner-Lambert acquisition. By then, it had become clear to all observers that integration meant obliteration for Warner-Lambert and its management. Wild would soon be transitioned right out of his job.

Despite several offers from other large companies, Wild hesitated to return to Big Pharma. He began to ponder taking the path of the entrepreneur, although in vague terms of starting a small company. Says Wild, "Then, all of a sudden, there was a knock on the door from this guy," pointing to John Hawkins. "John and I have known each other for years. In fact, John was the recruiter involved in bringing me into Warner-Lambert. And he said, 'I have this old friend, Jim Burns. We've been working on an idea, and we'd love to have you come in and work with us.'"

In Hawkins' words, "The planets lined up—they truly lined up." Only a week before, on 1 March 2000, he and Burns had drawn out their idea over lunch in DC. On the same day, Hawkins called New York to set up meetings with potential money sources. Those appointments, set for March 8, happened to coincide with an already scheduled meeting with Wild.

"So we had Tony come over to a different location, and we set up a conference room," Hawkins recalls. "Tony walked in, and we had a session together. After about 15 minutes, Jim came in, and we kind of ambushed Tony."

One part of their idea struck a chord with Wild immediately—building the company around specialty pharmaceuticals. At Warner-Lambert he had seen one of his reports, Roger Boissoneault, do "an admirable job" of moving the old Warner-Chilcott spin-off from generics into branded specialty products. Then W-L sold a group of products and a plant in Michigan to King Pharmaceuticals, which went public to raise the money for that purchase. The success of both businesses "brought home to me that the whole new segment of so-called specialty pharmaceuticals was a potentially interesting market," says Wild.

Industry consolidation among the largest companies had created even more opportunity in the specialty area. In Wild's view, "All these crumbs were falling off the table—smaller products that used to be neglected. Small companies were turning those into growth opportunities, and Wall Street was recognizing that with decent multiples, so there was a real opportunity there. That's what I had been thinking about, and lo and behold, along came John and

# Anthony H. Wild

- Earned a BA in chemistry from the University of York, 1968.
- Earned his PhD in physical chemistry from the University of Cambridge, 1971.
- Spent 22 years with Schering-Plough, including positions in Japan, the Netherlands, South Africa, Sweden, Switzerland, and the United States.
- Served as president of Parke-Davis North America.
- Served as executive vice-president of Warner-Lambert and president of W-L's pharmaceutical sector, 1995–2000.
- Member of the board of directors of Allergan, Bioglan Pharma, and Variagenics.
- Member of the board of advisors for the Joseph L. Mailman School of Public Health at Columbia University.
- Past chairman of the international section of the Pharmaceutical Research and Manufacturers of America.
- Past governor of the American Chamber of Commerce in Japan.

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> Anthony Wild

Jim with similar thoughts."

Hawkins relates that, after the uncanny coincidence of the first meeting with Wild, other fateful conjunctions brought the three men together to develop the idea into a plan. On several occasions, they found themselves in the same cities, from London to Toronto, though on separate business. "We all had the same ideas and were following each other to the same cities," Burn concurs. "It *was* uncanny."

By June they had put together a list of about 140 potential acquisition targets, consisting of free-standing companies as well as "embedded" businesses and products within larger companies. "We started working on a 'buy and build' strategy," says Burns, "either buy a series of products and then build a company around it, or, if we could buy a company with an infrastructure, we'd build from there."

Carter-Wallace earned a spot on the first draft of the target list. Burns says, "Carter-Wallace was on the list because it was an integrated pharmaceutical company within a consumer company that had not achieved its potential, probably because it received less investment than it should have. So it served as a perfect candidate for bringing a company into the light, giving it the right resources, and building it from there."

## Upfront Financing

To focus their fundraising, the founders—Wild, Burns, Hawkins and a fourth member, Richard Van Duyne—formed MedPointe Capital Partners in June 2000. They invested all of the initial funding in MedPointe Capital Partners up through the signing of the Carter-Wallace deal. And, although they had offers for substantial backing lined up from private equity groups for their "build-up" strategy, they still lacked the amount needed to seriously consider buying an entire company.

It took several months for the group to make a final decision to target Carter-Wallace. Meanwhile, Wild's interest in the company increased as he saw its proposed co-promotion agreement with Parke–Davis for the nasal-spray antihistamine Astelin dissolve in the wake of the Pfizer takeover. From P-D's evaluation of the product, he knew it had significant growth potential.

Eventually the group's attraction to Carter-Wallace outgrew its preliminary interest in smaller product acquisitions. Wild recounts, "We kept on coming back to Carter-Wallace, and in the end, we said, 'Why not? It's a perfect platform. It's in the sweet spot of pharma in the United States here in New Jersey.'"

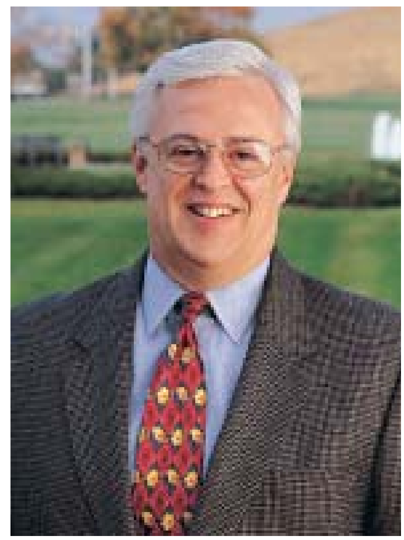
Following that pivotal decision, the group faced a big task—convincing large investors of the strategy's soundness. The partners' established connections led them to the Bear Stearns investment bank, which expressed support for the idea. At the same time, the four partners spent an additional $100,000 of their own money for a McKinsey & Co. strategic study of their acquisition plan and hired PricewaterhouseCoopers as financial due-diligence advisors.

Such credentials soon came in handy. By November 2000, JP Morgan, representing Carter-Wallace, appeared to be already considering several offers for the company, and tiny MedPointe barely registered on its radar.

"We decided to get a bit cheeky to attract attention," Wild says. "We went to potential backers and said, 'We have Bear Stearns as our investment banker; we have PricewaterhouseCoopers as accountants; we have Simpson Thacher & Bartlett as transaction counsel, and we have McKinsey as our strategic advisor.' JP Morgan sat up and said, 'This seems to be a legitimate operation, so we'll let you in, even though it's late in the day.'"

According to Wild, a hitch in the deal came when JP Morgan refused to consider selling Carter-Wallace as less than a whole package. MedPointe's offer specified only the pharmaceutical and diagnostics units.

"We said, 'Let us submit it anyway,'" Wild recalls, "because the healthcare and consumer businesses are so different, you may not find a decent, attractive price.' And, lo and behold, the auction process failed. We found out later when



## James S. Burns

- Earned his BS and MS degrees in Biological Sciences from the University of Illinois, 1968, 1970.
- Earned an MBA from DePaul University, 1973.
- Served as vice-president and partner for Technology Management Services at Booz-Allen & Hamilton, 1978–81.
- Served as vice-president of Diagnostic Products Group, then was promoted to Group President of Becton, Dickinson and Company.
- Served as vice-chairman of Healthcare Investment and was a founding partner of Healthcare Ventures LP, 1986–92.
- Founder, president, and CEO of Osiris Therapeutics, 1993–99.
- Serves as vice chairman of Maryland Technology Development and a trustee of the University of Maryland Biotechnology Institute.

we read the proxy statement that Carter-Wallace had not received one single bid for the full package."

Thereafter, MedPointe became a serious contender for Carter-Wallace's healthcare units. JP Morgan restarted the bidding with those pieces as a separate lot, and MedPointe reentered the process with its two equity partners, the Carlyle Group and the Cypress Group, and firm debt underwriting from Bear Stearns. The financing syndicate and its advisors then conducted a due-diligence investigation on the businesses MedPointe would buy. Wild characterizes that process as "an incredible challenge, because Carter-Wallace was a complex family business."

## John T.W. Hawkins

- Earned his MBA from Amos Tuck School of Business Administration at Dartmouth College, 1982.
- Served as an assistant vice-president and commercial banker for Irving Trust in New York, 1976–80.
- Served as vice-president of the corporate finance department for Alex Brown & Sons, where he was involved in underwriting more than 30 life-science and healthcare IPOs, 1982–87.
- Served as senior vice-president and chief financial officer of Invitron, a Monsanto spinoff, 1987–1990.
- Served as managing director of Russell Reynolds Associates, an executive search firm, 1990–2000.

MedPointe and its financial sponsors used their own funds to hire more than 100 people for the due-diligence research. Some of that money also came from the MedPointe partners' personal funds. "As individuals, we would have been significantly out of pocket had this thing failed," Wild says.

"The reason we were able to do the diligence efficiently and effectively," adds Burns, "is that, as a group, we had good contacts with people who could help us out with particular pieces of expertise, so we didn't have to search for it. They were our friends and colleagues, and we knew they wouldn't let us down. It turned out to be a lot of fun."

Long before the due-diligence phase, the fourth partner, Van Duyne, joined the team in earnest, "masterminding" the project, according to Wild. Van Duyne had left his job as head of business development for Warner-Lambert after a short transition period following the Pfizer merger.

Although Van Duyne initially wanted another try at Big Pharma, Wild persuaded him to come to MedPointe, at least in the early stages. Wild and Van Duyne had worked together on W-L's purchase of Agouron in 1999, completing the $2 billion acquisition in six weeks. More recently, Van Duyne answered the call to become Pharmacia's senior vice-president of corporate development.

### Sales at Scale

MedPointe begins with about $180 million in Rx sales and $50 million in diagnostics. At that scale, products in the $25-$50 million range count as major breadwinners. Such products have several things in common: On the scale of large companies, they sit low on the totem pole, often left underinvested and undermarketed. They target small audiences with special needs. And, for all those reasons, they make ideal candidates for licensing between the large and the small companies, where they will receive greater promotional emphasis. In MedPointe's view, those common traits define the specialty product.

"Our aim is to be effective in the marketplace with smaller resources, so with a sales force of a few hundred people, we could have an impact," Wild explains. "King has now almost moved out of the specialty category with a sales force well above 1,000. Forest has moved up as well. But we look for smaller, well differentiated products or just smaller therapy areas."

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>
> James Burns

"Where we can apply smaller resources to a market niche or to a specialty segment of physicians—typically 5,000 physicians or less—we do," Burns says. The partners are quick to add, thinking small doesn't mean avoiding competition.

"It depends on what kind of product you have," Wild asserts. "There can be a lot of competition, but if you feel you have something unique to say, it's worth the effort. The mistake that some companies make, even in the specialty pharma business, is thinking that they can buy any old product and somehow turn it around. There are a lot of small companies out there buying end-of-life-cycle products that are in decline and not having a lot of success in turning them around."

### Size Larger

MedPointe may want to start small, but it has no intention of remaining among the smallest. Instead, according to Wild, it aims for growth toward a manageable goal: "The three of us and the other members of the team don't have the patience to keep it small for long. We like the model very much and, therefore, we don't want it to reach a multibillion-dollar turnover where you no longer can apply that. We have not been very specific on growth targets because so much depends on what we find and what we add to it. We've said that we want to build a world-class specialty healthcare business. We want to be the best at what we're doing. We don't have to be the biggest."

Wild says the company, now a US-only business, has "international aspirations." First stop would be Canada; Europe would be an attractive next step. Yet none of its mainstay products have that potential. MedPointe licenses Astelin from a German company for the United States only, and its Rx cough/cold line, grandfathered by FDA, lacks current NDAs that would allow registration in other countries. Only through future product acquisitions could MedPointe cross those borders, Wild observes, though he believes the company is off to a good start in the United States.

He says, "We have critical mass now, with a 200-person sales force on the pharmaceutical side and more than 30 people on the diagnostics side. So, although it's a new company, we're not starting from scratch. We have very good marketing and sales people. We have the distribution infrastructure in place, all of the support we need for side-effect reporting, medical 800 numbers—all of those things. It's a mini pharmaceutical company. So we have a wonderful platform on which to build."

Wild also sees the move to New Jersey, even to a temporary location in rural Cranbury, a positive move that left an antiquated corporate structure in New York for the center of the pharmaceutical world. In April, MedPointe will move to new corporate digs in the pharma-rich corridor of central New Jersey.

Once there, the company will begin to rebuild its internal R&D organization, which Carter-Wallace sacrificed some years ago during a restructuring. "It's all outsourced at the moment, but that's cumbersome and expensive," Wild says. "Although there's a lot of wonderful expertise out there, we also need to have internal capabilities."

One product in development already is a possible alternative to the anti-epileptic felbamate, which carries a severe black-box warning despite its superior efficacy. MedPointe has in-licensed a related molecule, a fluorinated derivative of felbamate that may avoid the toxicity problems, from the University of Virginia.

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Anthony Wild

"We plan to file an IND for that product in the next 12–18 months," Wild says. "Is MedPointe big enough to handle that? Clearly not. We would like to take it through to proof of principle, but if it looks promising, we'd almost certainly be looking for a partner at that stage, because surely it's a big ticket for full-scale development for a product like that. That would be beyond our capabilities." However, Burns points out that a non-toxic fluorofelbamate could be a $500-million product, so it's worth the time and resources to develop.

In hiring for internal R&D, sales force expansion, and other growing functions, MedPointe will soon be a bright spot in the local labor market. During the next few months, as part of an overall expansion, it also expects to add about 25 sales reps.

"As we acquire additional products, we'll be going further than that," Wild says. "The Carlyle Group and the Cypress Group are financially strong and willing to back us. The total cost of the company was about $460–$470 million, with 60 percent, or $280 million, in equity. And Carlyle and Cypress are willing to double that for the right opportunities.

"We have recognized a weakness in the model of specialty pharma—that you have to continue acquiring products

## Specialty Lines

| Product | Indication/Description | FY 2001 Sales |
|---|---|---|
| Astelin (azelastine) | nasal spray for rhinitis | $51 million |
| Butisol Sodium (butabarbital) | sleep disorders, anxiety | Not available |
| Depen (penicillamine) | rheumatoid arthritis | Not available |
| Doral (quazepam) | tranquilizer/ insomnia | Not available |
| Felbatol (felbamate) | anti-convulsant/epilepsy | $12 million |
| Lufyllin (dyphylline) | bronchodilator/expectorant | Not available |
| Maltsupex (malt soup extract) | laxative | Not available |
| Ryna-12 S (phenylephrine and pyrlamine tannate) | cough/cold medicines | Ryna/Tussi line: $52 million |
| Rynatan (phenylephrine and chlorpheniramine tannate) | allergies, hay fever | |
| Rynatan (azatadine maleate and pseudoephedrine sulfate) | " " | |
| Soma (carisoprodol) | muscle relaxants | Soma line: |
| Soma (carisopordol and aspirin) | " " | $45 million |
| Soma (carisoprodol, aspirin and codeine) | " " | |
| Tussi-12 (carbetapentane and chlorpheniramine tannate) | | |
| Vósol (acetic acid) | otic solution | Not available |
| VóSol (hydrocortisone and acetic acid) | " " | Not available |

or you don't have growth anymore. That is a flaw in the model. Ultimately, we need to get beyond that by developing the capability to grow from within."

### Organic Links

Although MedPointe's strategy had never targeted medical diagnostics, the partners believe it brings a bonus to the deal. But they buck the integration tide a bit by avoiding any forced synergy between Wallace and Wampole—hedging their bets with a long-term "organic" approach to the issue.

"Pharma and diagnostics are different products; they're different markets; they're different approaches to the selling task; and certainly they're different manufacturing technologies," says Burns. "They are different businesses, but the diagnostics' purpose is to lead ultimately to better therapy. And what we're trying to understand now is whether there are ways to link the businesses more closely. They're both doing very well, but are there ways for them to grow in tandem?"

Wampole concentrates primarily on immunodiagnostics for large laboratories, hospitals, and physicians' offices—"assays not usually covered by the large diagnostics companies," Burns says. "It's a niche player, a position player in immunodiagnostics. In the long run, it is aiming at more point-of-care products, such as blood or urine samples using a rapid-test membrane technology. Typically, you get an answer in ten minutes in the physician's office."

Wampole is the sole developer and marketer of an in-office Lyme test. Burns notes, "Given the expanding deer population, that market will continue to grow." The unit also markets tests for chlamydia and mononucleosis.

"We did not set out to go into diagnostics," Wild hastens to say. "Our aim was pharmaceuticals, but the business we acquired has diagnostics, so it came along with it. Having said that, Wampole is a very nice business. It's very well run, very healthy. We think it's a good growth possibility, and we're certainly as willing now to invest in that as well as in the pharmaceutical business. As Jim said, we should find out. If we can work together, fine, but we won't over-engineer that."

### Pride of Enterprise

Wild, Burns, and Hawkins obviously enjoy every minute of their new endeavor. Laughter comes easily and often to the three, and they seem to be having the time of their lives. Do they miss Big Pharma? If so, they show no sign.

To the contrary, they all appear convinced that what they have started in MedPointe will now unfold at just the right scale, and they couldn't ask for greater satisfaction. Risks come with the territory. MedPointe lacks the cushion of sheer mass that the industry's giants enjoy. It still faces the hurdles of going public—in the plan for next year—and turning most of its "special products" strategy into a working reality. In the long term, the model will be judged on what the model does. None of which dampens the partners' confidence.

"We're starting with a sizable business, not building from scratch," Wild says. "We've got some wonderful growth opportunities within the line, along with the strength of the management team and our commitment to build an organization. A mistake a lot of small companies make is that they don't pay attention to the organization. So under the leadership of Bernardo Tafur, our head of human resources (who worked with me at Warner-Lambert and then spent a year heading up Pfizer's pharmaceutical HR organization), we're putting in place robust compensation benefit systems, talent planning, management-development systems. We're going to offer options to everybody in the company, so it's more in the biotech mode rather than Big Pharma. We firmly believe in ownership."

Wild also emphasizes the company's strong financial backing from Carlyle, Cypress, Bear Stearns, and Lehman Brothers; support from its board; and an ambitious team as harbingers of further growth. "We're just a group in a hurry to build a world-class business, and it's going to be very exciting. We're already having so much fun with it." ∎

## Rising Product

### Wild and Burns discuss Astelin's (azelastine) unique market position:

**Wild:** Our flagship product competes in a big entry market—antihistamines or allergy/rhinitis. And we're up against Pfizer, Schering–Plough, and Aventis. But Astelin is the only nasal-spray antihistamine, so it's not just a little white tablet, and it's the only antihistamine approved for nonallergic rhinitis or vasomotor rhinitis. With Wallace's sales force of just under 200 people, the market share is up to 7–8 percent among the doctors they actually visit, which shows that the positioning is accepted by doctors, the product is liked, and it's being used.

The sales were just over $51 million in the last financial year, and it's still growing strongly. Today, the antihistamine market is worth $4.5 billion, and the nasal steroid market is $1.5 billion, so between the two you've got $6 billion. If we ultimately get it up somewhere in the 4–5 percent share range of that, we'd have a $200, $250, $300 million product, which we think is definitely doable. It has a long patent life—another ten years—and the product is well accepted. So we think that's not an unreasonable goal to achieve.

**Burns:** The benefit for patients is that when they go in with an allergy-type problem to see a doctor, sometimes the presumption is that it's going to be a seasonal allergy, so they get Claritin. But, in fact, seasonal allergies are only really a third of the market. Nonseasonal or vasomotor allergies are another third, and there's a third that's a mixture of both. So you're only effectively treating one-third of the patients; you're leaving two-thirds out, and if you get them to switch over to Astelin, you can cover the whole range of stuff, and you get better relief, more consistently, and faster.

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