

A Wild Idea

High-profile exec sees both fun and profits in his pharmaceutical venture in Cranbury

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**BY ED SILVERMAN
STAR-LEDGER STAFF**

For three decades, Tony Wild did it all.

As a rising star in the pharmaceutical industry, he trotted the globe for Schering-Plough Corp., running operations in such places as Sweden, South Africa and Japan. In 1995, he joined the former Warner-Lambert Co. as one of its highest-ranking executives, deciding which drugs would be developed and how they would be sold.

So why is this man, who earned a doctorate in physical chemistry from the University of Cambridge, standing in an outdated factory with a hairnet on his head?

For Wild, 53, the answer is simple - he's immersing himself in every detail of his new investment, MedPointe Inc. Like some other well-known players, Wild used his high profile to attract investors and form a company to market drugs that the biggest pharmaceutical companies can't be bothered with.

The sole purpose of these specialty outfits is to buy or license medicines that are still being tested or, more often, are being ignored by a big drug maker. This happens when a drug no longer generates the huge sums needed to justify continued investment in further research or promotion. There were more than 50 such deals last year, Wild said.

"This is a good time to be in an interesting niche," he explained during a recent tour of his Cranbury facility, which MedPointe purchased from Carter-Wallace Inc. for \$408 million. Besides the factory, the deal included several prescription drugs and was financed, in part, by such well-known investors as The Carlyle Group.

"The so-called specialty pharmaceutical company isn't brand new," he said. "A number were created over the last six years or so to fill a gap in the marketplace, but they've attracted a lot of investor interest lately.

There's money to be made here. And it's also fun. I can get closer to patients than I have in years."

Besides Wild, other marquee names have done the same thing. Last summer, Irwin Lerner, a former chief executive at Hoffmann-La Roche Inc., came out of retirement to run Reliant Pharmaceuticals, a 2-year-old, privately held company based in Liberty Corner.

More recently, Ernest Mario, a Glaxo Plc veteran who was chief executive at Alza Corp. until it was sold to Johnson & Johnson this year, formed Apothogen Inc. this fall with backing from J.P. Morgan Chase and Co.

To industry insiders, the trend is an outgrowth of the mega-mergers of the past few years, which are forcing drug makers to prune their product portfolios. Pfizer Inc. took over Warner-Lambert. Glaxo paired with SmithKline. Hoechst Marion Roussel and Rhone-Poulenc Rhorer joined to create Aventis.

These deals created behemoths, but going forward, only a drug with huge sales potential will really move a company's bottom line. There's little appetite for a drug with sales of, say, \$140 million that isn't likely to generate much more, no matter how much promotion is tried. It's simply not efficient to manufacture a small-selling product.

"I'm not a spring chicken," said Apothogen's Mario, 63. "But there's a space between what the startup guys are doing at the earliest stages of drug development and what big pharma is looking for, which is a \$500 million drug. So there's more opportunity than ever before for the small or mid-sized player. This is where the face of the industry is changing."

Expiring patents are another reason. About 60 brand-name prescription drugs will lose patent protection over the next two years, according to a recent report by J.P. Morgan Securities Inc. This might make them suitable candidates to buy or license, Lerner noted, because sales usually decline after a patent expires. This also amounts to a glut to existing specialty companies, such as King Pharmaceuticals, and creates room for new companies.

"With many compounds going off patent, there will be more opportunity for the smaller players to develop a specialty," said Karen Harper, a partner in the pharmaceutical practice at KPMG Consulting Inc. "There are a lot of drugs out there that the big companies aren't focusing on because they just can't afford to."

Developing a specialty category is particularly important, Lerner explained, because focusing on a few select therapeutic categories allows a smaller company to leverage its scarce resources. Reliant, for instance, hopes to concentrate on drugs for treating cardiovascular and gastrointestinal ailments.

"But you don't want to be lured by an opportunity either. That's where the danger lies," Lerner said. "The challenge is to be rigorously selective."

In each case, the goal is to build a sizeable portfolio and eventually sell stock sale to the public. For now, this remains wishful thinking, especially given market conditions. But a specialty company is likely to be seen as less speculative than a biotech or early-stage research enterprise that has little or no product to sell.

"There's risk here like anything else," Mario said. "In a company like ours, which is also interested in clinical activity, you're only going to be able to make a few bets. But it's enormously exciting, because there are many unmet medical needs."