



Dermatology Opportunities for Mid-sized Pharmaceutical Companies

Photocure Capital Markets Day

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NovaSecta: MidPharmas are our business

- ❖ **We are a consulting and project management company**

- ❖ **We specialize in smaller to medium sized pharmaceutical companies ('MidPharmas')**

- ❖ **We support R&D Management, Corporate Development and Business Development:**
 - Market, Competitive, Financial Analysis.
 - Benchmarking and Learning Communities.
 - Strategy and Performance Improvement.

MidPharmas are thriving through flexibility, entrepreneurialism, a long-term perspective, and careful evolution of their strategies

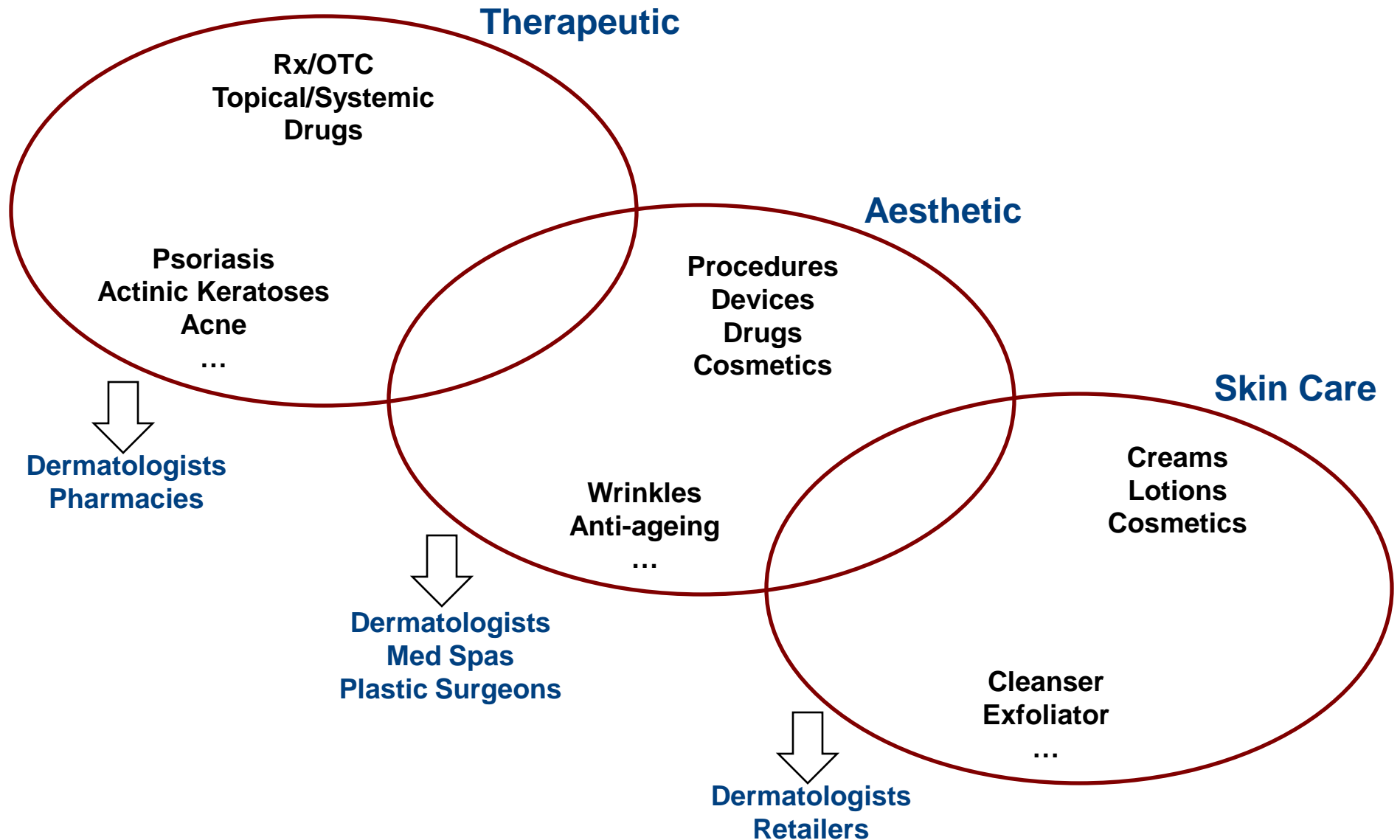
- ❖ **MidPharmas are typically free to act flexibly and entrepreneurially:**
 - Unencumbered by the complexity, scale and processes of today's Big Pharmas.
- ❖ **MidPharmas typically have the long-term perspective required to sustainably invest in R&D:**
 - Without the liquidity and focused scientific risk issues faced by start-ups.
- ❖ **MidPharmas are continuously demonstrating how to create success through careful evolution of their strategies in four key areas:**
 - Maintaining Business Portfolios.
 - Redefining Therapeutic Focus.
 - Investing in R&D for Product Flow.
 - Expanding International Commercialization.

Today I will discuss Dermatology opportunities for Mid-sized Pharmaceutical companies

- ❖ **Dermatology is a highly diverse field with overlapping segments:**
 - Therapeutic
 - Aesthetic
 - Skin Care
- ❖ **Therapeutic Dermatology is characterized by “sub-blockbuster” indications and a heritage of incremental innovation.**
- ❖ **Mid-sized pharmaceutical companies have the flexibility and scale to succeed in Dermatology.**

***Diversity in
Dermatology***

Dermatology is a highly diverse field



It has become increasingly common for pharmaceutical companies to cover both therapeutic and aesthetic dermatology

❖ Big pharma...

- **J&J** is looking to “step up beauty” according to group chairman for Beauty Care, Pericles Stamatiades in January 2009
- **Allergan** demonstrated that it is possible to be in aesthetic dermatology (Botox, Latisse) and retain a pharmaceutical company heritage

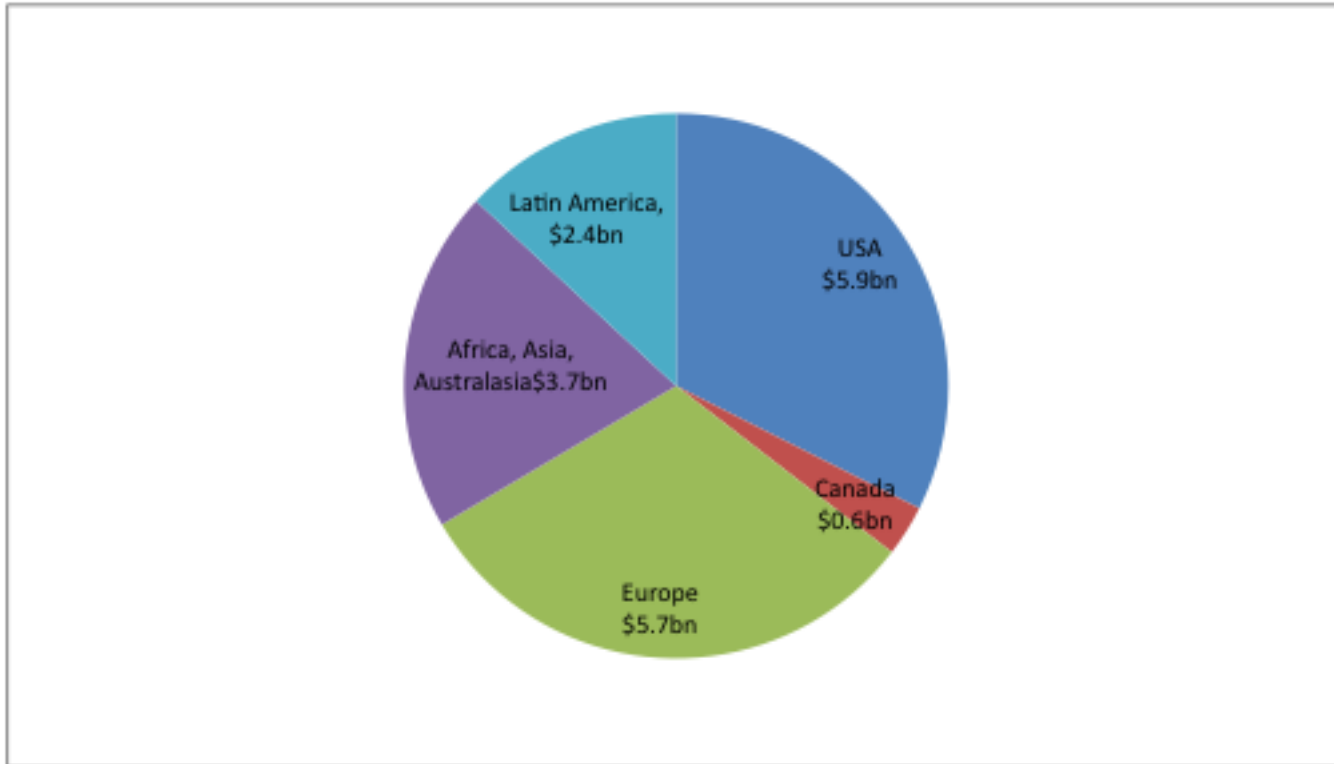
❖ Specialty pharma...

- **Galderma** “aims at becoming a worldwide leader in corrective and aesthetic dermatology by providing a full range of products and services to meet the increasing needs of the aging population, who want to improve their appearance.”
- **Merz** – the developer of the Alzheimer’s blockbuster memantine – has expanded its dermatology portfolio with “products for the treatment of wrinkles and aging of the skin”
- **Obagi** Medical states that “Over the years, the company has developed prescription-strength skin health products and systems primarily for the dermatology, plastic surgery, and related aesthetic markets.”
- **Medicis** claims to be “the leading independent specialty pharmaceutical company in the United States focusing primarily on the treatment of dermatological and aesthetic conditions”.

Therapeutic Dermatology

The global therapeutic Dermatology market is growing and worth over \$18bn

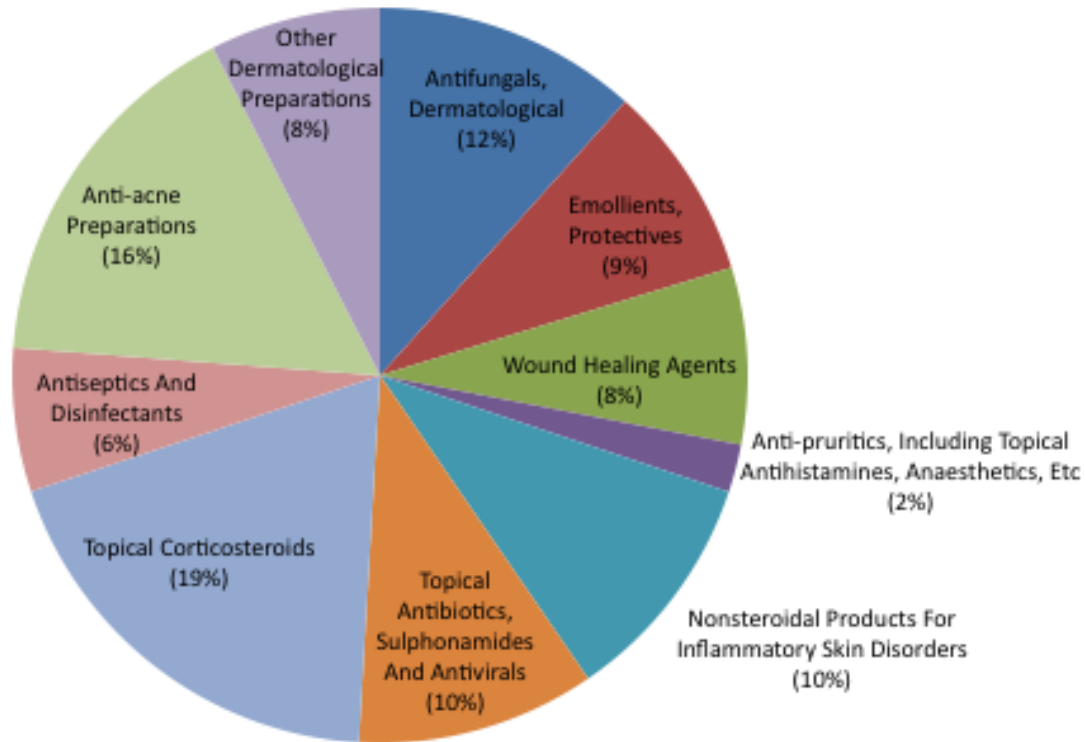
**Global Therapeutic Dermatology Market
split by region (12months to Q2 2008, total \$18.3bn)**



❖ **Global Dermatology market growth has averaged 6.7% a year since 2001**

Therapeutic dermatology covers a broad range of drug classes, with Anti-acne an important segment at \$3bn global sales

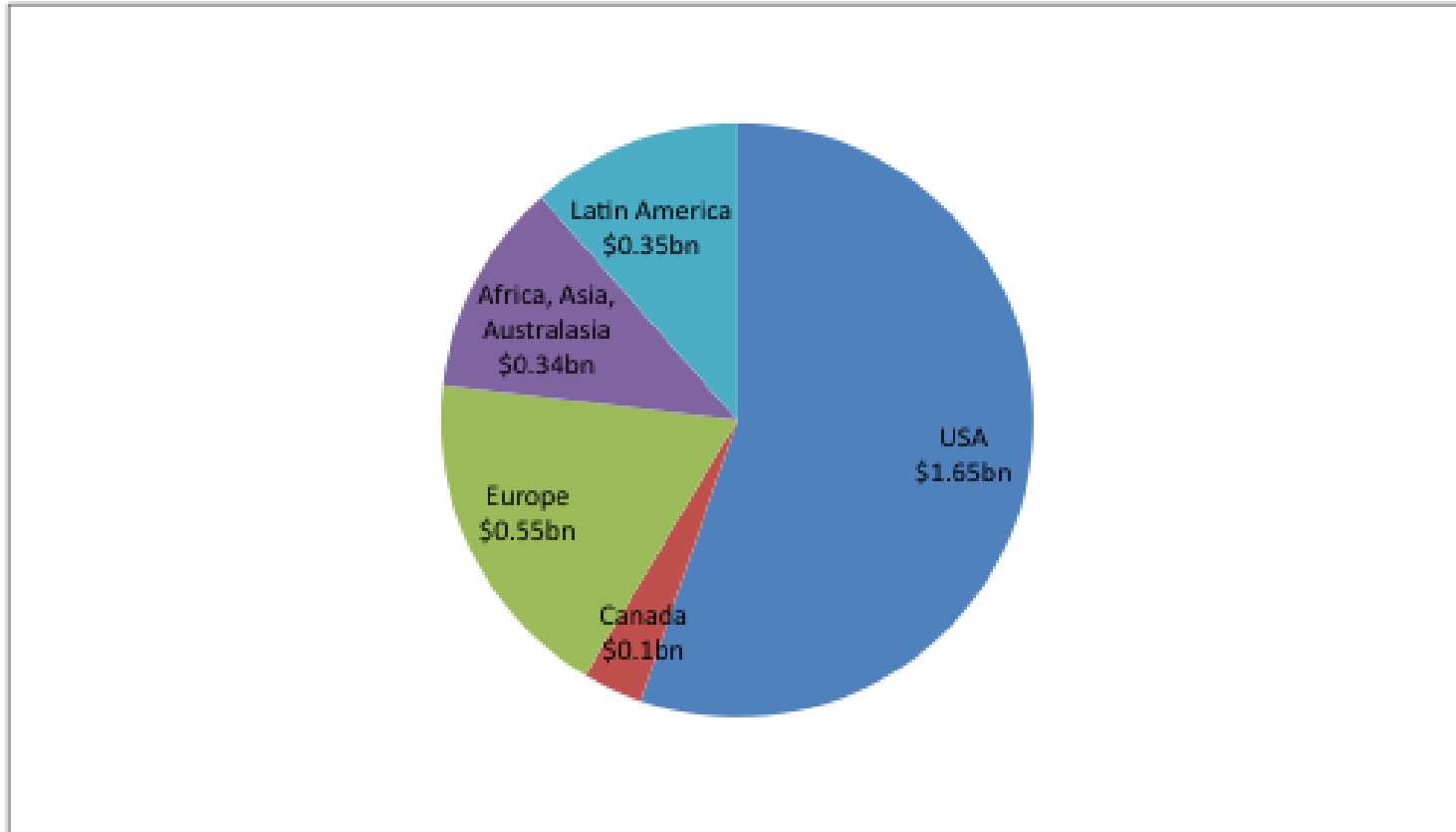
Global Therapeutic Dermatology Market
split by Product Class (12months to Q2 2008, total \$18.3bn)



Source: IMS Health

In Anti-acne, USA is the key market to penetrate

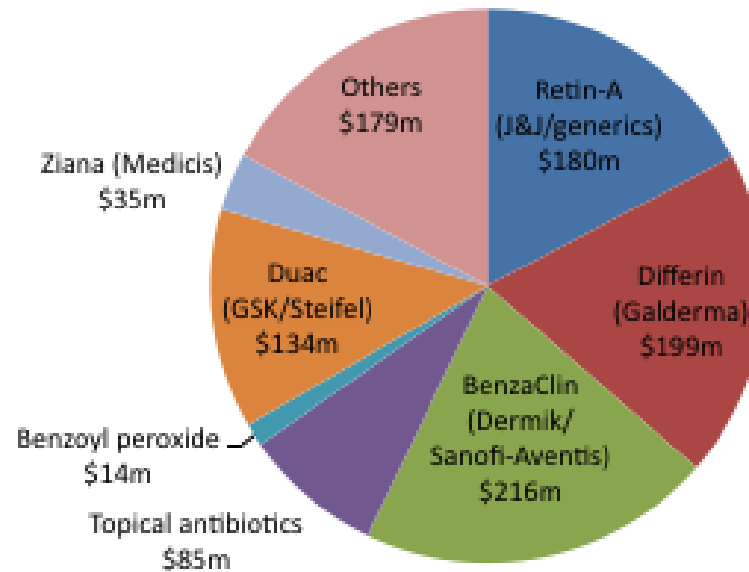
**Global Therapeutic Anti-acne Market
split by Region (12months to Q2 2008, total \$3bn)**



Source: IMS Health

The market for topical Anti-acne products in USA illustrates the “sub-blockbuster” nature of Therapeutic Dermatology

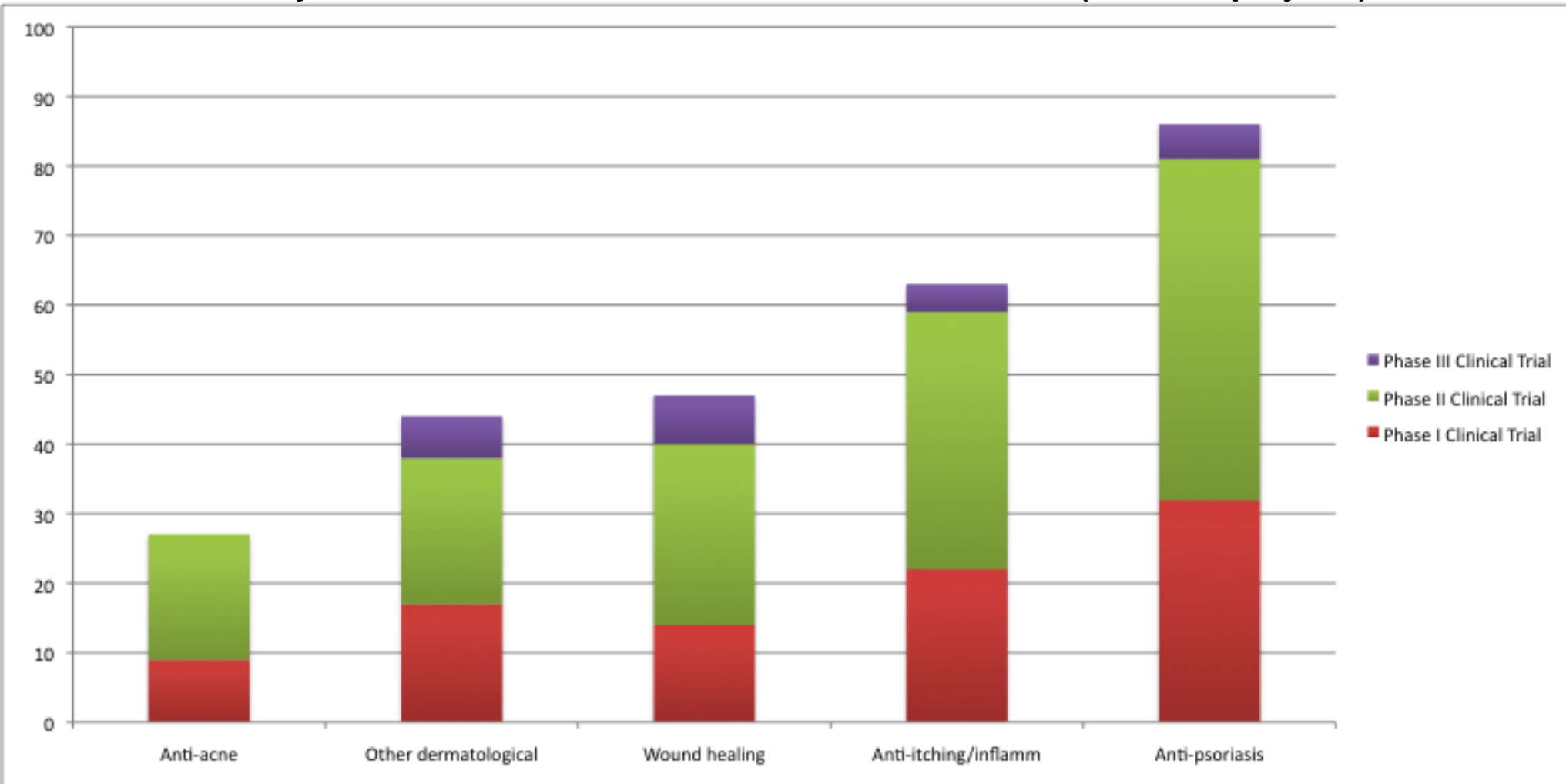
USA Topical Anti-acne Market
split by Product (2007)



Source: Cowen Therapeutic Categories Outlook

Global therapeutic dermatology innovation is currently the most intense in Anti-psoriasis

Global Dermatology Clinical Projects
by Indication Area and Phase, October 2009 Status (total 267 projects)



Source: Pharmaprojects, NovaSecta analysis Oct09

The Anti-acne market is particularly in need of novel treatments

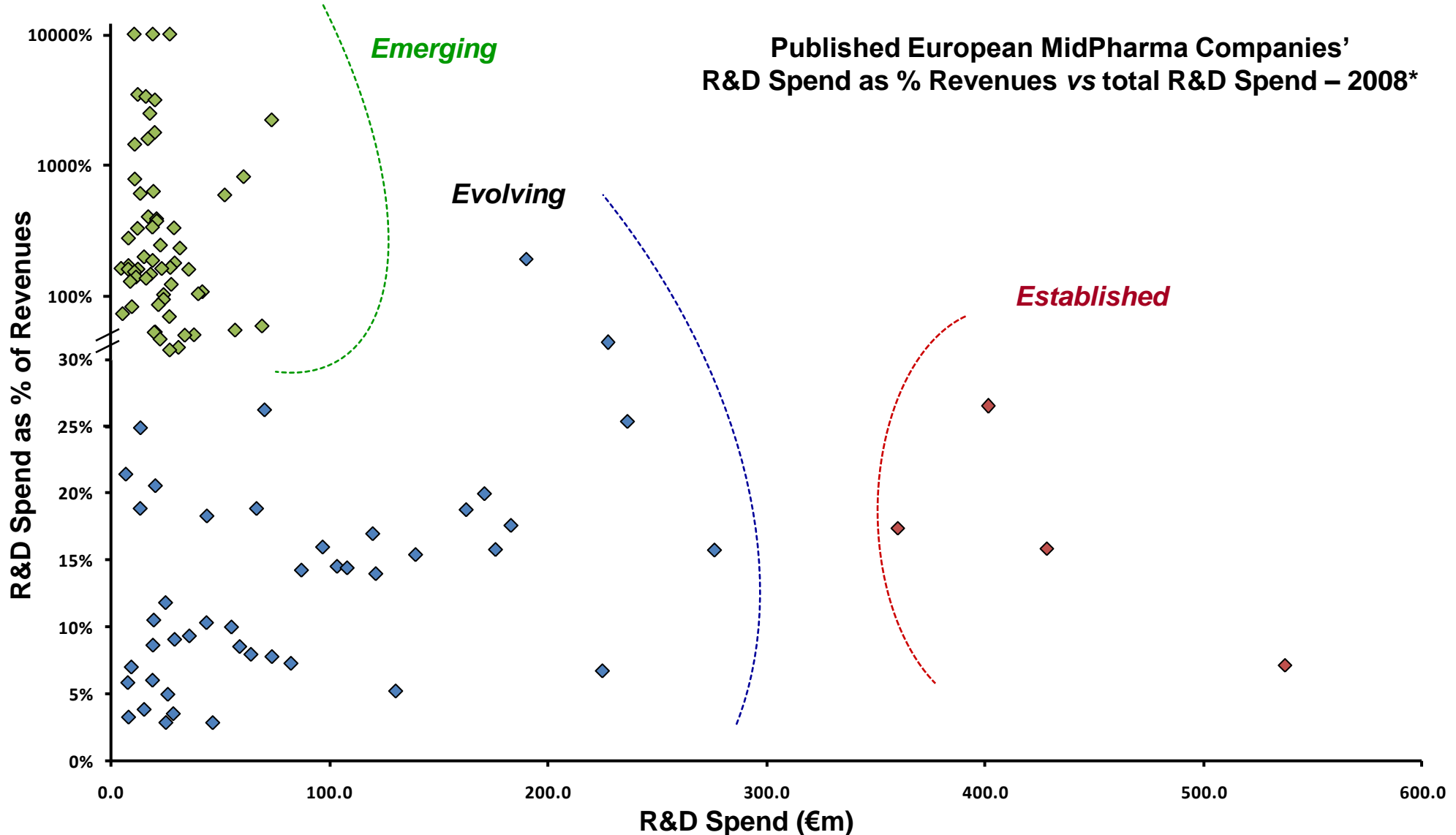
- ❖ **Acne treatments are dominated by life cycle management and reformulation of active ingredients that have been used for many years:**
 - Antibiotics, Retinoids, Benzoyl Peroxide, Combinations.
- ❖ **The gold standard oral treatment for severe acne, isotretinoin, was originally approved in 1982 (Accutane) and has been generic since 2002.**
- ❖ **In this “old-product” market, even a slightly innovative product can achieve significant revenues:**
 - Solodyn, launched in 2006, is a once-daily anti-biotic that is forecast to achieve sales of \$300m+ in USA in 2009, followed by further growth thereafter.*
- ❖ **In addition, concerns about the short and long term consequences of topical and oral medications may prove light, lasers and radio frequency, which may offer faster onset of action, equal of greater efficacy, and greater convenience than traditional approaches, to be the way forward.****

*Source: Cowen Therapeutic Categories Outlook

** Source: Journal of Cosmetics and Laser Therapies, 2004

***Mid-sized Pharma
and Dermatology***

As they grow, successful European MidPharmas ensure that their R&D investment has revenue coverage



* All figures for calendar year 2008 or 2007 if no current data available.

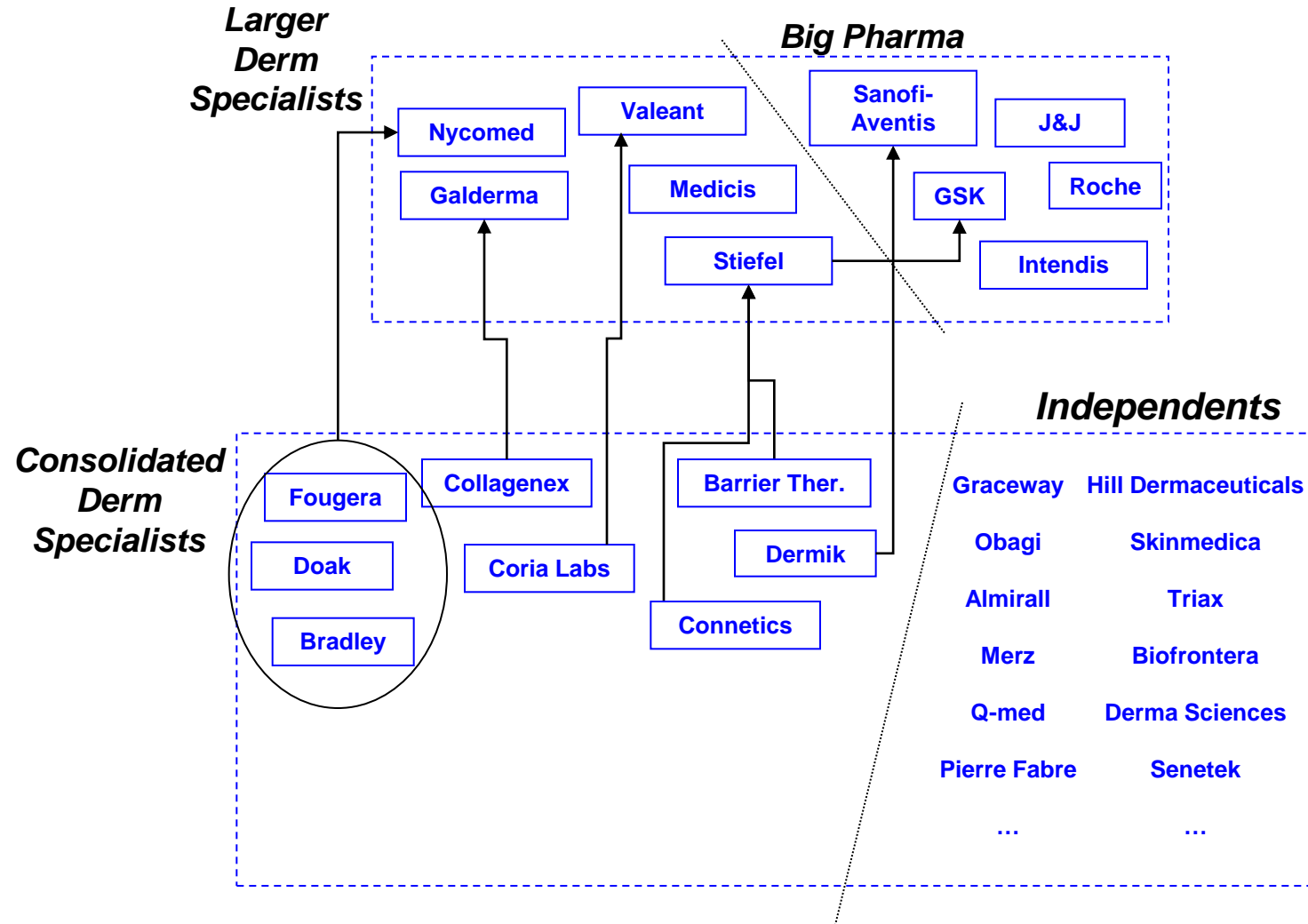
Source: NovaSecta analysis of public information

European MidPharmas have a history of US internationalization in specialist therapeutic areas

Selected European MidPharma Company USA Internationalization

MidPharma	Year	Initial Entry Mechanism	Specialist Area
Actelion	2006	Acquired CoTherix	Pulmonary Arterial Hypertension
Chiesi	2009	Acquired back products	Respiratory
Helsinn	2009	Acquired Sapphire	Cancer Supportive Care
Lundbeck	2004	Alliance Merck	CNS
Merz	1995	Organic	Dermatology
Prostrakan	2007	Alliance Novaquest	Chemo-induced Nausea and Vomiting

Dermatology is served by multiple global, US and European players of all sizes, with some recent consolidation



In summary, the Dermatology market presents attractive opportunities for entrepreneurial mid-sized pharmaceutical companies

- ❖ **Dermatology is a highly diverse field with overlapping segments:**
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