

Industry Report: New Players Emerge as Consolidation Continues

The changing industry landscape opens space for new players and novel approaches, as well-known leaders continue to evolve.

BY PAUL WINNINGTON, EDITORIAL DIRECTOR

Consolidation. If one word would describe the shifting dermatology industry over the last several years, that would surely be it. And while acquisitions and mergers continue to take place, the dermatology market continues to attract new players on the medical and aesthetic side.

ACQUISITIONS CONTINUE

Valeant, the unofficial face of dermatology's consolidation trend, continues to expand its footprint. The company this month announced a deal to acquire Solta Medical, Inc. for approximately \$250 million. When the deal closes in the first quarter of 2014, it will mark Valeant's first foray into the medical device realm. Valeant completed its acquisition of Medicis in 2012 and acquired Obagi Medical Products this spring. Valeant also acquired the eye health company Bausch + Lomb this year, and restructuring ensued. Additionally, Mentor Worldwide, LLC and Valeant's Medicis division collaborated to form a joint physician loyalty program called the M²VP Program (Medicis-Mentor Valued Partner Program), which will include the Mentor line of breast implant products for the aesthetics market and Medicis non-reimbursed facial aesthetics products.

Valeant is not the only company to make noteworthy acquisitions. This summer, Merz Aesthetics announced the acquisition of the Swiss pharmaceutical company Neocutis S.A., gaining access to the company's cosmeceutical skin care business. This fall, the company acquired Anteis, another Swiss company. Anteis specializes in the development, manufacture, and commercialization of medical devices in the area of aesthetics, and developed Belotero, which Merz launched in the US in 2012.

According to Jim Hartman, VP and US Head, Aesthetics and OTC at Merz Aesthetics (a division of Merz North America), the company's mandate is to be "a skin company," complete with injectable and OTC products to support physicians and

patients. In an interview shortly after the NeoCutis acquisition, Mr. Hartman says the company had been focused on "finding synergy between injectables and topical brands."

While Merz has emphasized its dedication to dermatology and aesthetics, Mr. Hartman stressed that the NeoCutis acquisition did not signal a change in direction for the company. "It's not about changing direction," he says, "it helps complete who we are. This was a wonderful evolutionary opportunity for us." While the company will continue to develop its OTC presence, Mr. Hartman says it's not the company's only focus.

Belotero, providing what Mr. Hartman calls "precision refraction," is the fastest-growing filler. Merz remains dedicated to growing its filler franchise, which also includes Radiesse, he says. "We see ourselves being a leader, if not the leader in the filler side of the market." He says the company also remains committed to the neurotoxin market and the success of Xeomin.

ATTRACTING START-UPS

Industry evolution in dermatology includes the launch of new medically-focused companies. Novan, Inc. remains focused on topical delivery of nitric oxide, which has been shown to exhibit antimicrobial activity, promote vasodilation, regulate inflammation, stimulate tissue repair, and eradicate cancer cells. The company has developed a proprietary platform technology that enables the stable storage and release of nitric oxide in a variety of dosage forms and is currently developing first-in-class therapies for dermatology and wound care.

Novan's nitric oxide-releasing drug candidate SB204 is currently being examined in a Phase II study for the treatment of acne, with results expected early in 2014. In 2013, the company released data showing the SB204 reduced colonization of *Propionibacterium acnes* in the skin of healthy volunteers; previous studies showed the agent affected sebum production.

Novan is also kicking off a two-year program to support the pharmaceutical development of Nitric Oxide Advanced Healing (NOAH) technology in models of deep partial-thickness and full-thickness thermal injuries. An awarded \$7.8 million contract with the Biomedical Advanced Research and Development Authority (BARDA) in August brings the company's total government funding to more than \$15 million to date.

Novan recently issued a white paper that recaps the in vitro bactericidal activity of two nitric oxide-releasing drug candidates against the multi-drug resistant ESKAPE pathogens (*Enterococcus faecium*, *Staphylococcus aureus*, *Klebsiella pneumoniae*, *Acinetobacter baumannii*, *Pseudomonas aeruginosa*, and *Enterobacter* species). The two drug candidates, NVN1000 and NVN4228, demonstrate activity that surpasses most antibiotics without the likelihood of developing bacterial resistance and could have applications for the prevention and treatment of wound infections, according to the company.

TAPPING THE UNREGULATED MARKET

While “traditional” dermatology companies continue to emerge—and to consolidate—one company is taking a new tack by targeting the “unregulated” market. Alphaeon, Corp., a wholly-owned subsidiary of Strathspey Crown Holdings, LLC, is a lifestyle healthcare company that launched this fall. Strathspey Crown acquired Evolus, Inc. of Santa Barbara, CA this fall, giving

Alphaeon the exclusive license to market, in the US and several international markets, an advanced botulinum toxin type A neurotoxin developed by Daewoong Pharmaceutical Co., Ltd. (Seoul, South Korea) under the brand name Evosyal. Alphaeon also acquired an exclusive US license for the full line of products from Teoxane Laboratories and worldwide licensing rights to TouchMD, an interactive software platform that helps specialty physicians educate patients before, during, and after practice consultation, with the goal of improving practice conversion rates and enhancing the patient experience.

According to Alphaeon Chief Executive Officer Robert E. Grant, the company is focused only on non-reimbursed medical services and procedures and will accept no government funding, thereby avoiding many of the regulations that affect other medical companies and service providers. In addition to bringing to market effective treatments for aesthetic concerns, the company will also focus on eyecare and wellness. The goal, he says, is to realign the “4 Ps” of modern medical care so that Patients and Physicians come before Products and Payors.

The novel model for Alphaeon includes physician membership. While all licensed physicians will have access to the company's products, there will be a number of exclusive services to benefit member physicians. The Alphaeon brand will target individuals seeking non-reimbursed wellness care and preventive services and drive these patients to Alphaeon providers. ■