

Cedar Knolls, N.J.

## **EKR Swallows \$145M For Hospital Drugs**

By Brian Gormley

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Investors are fueling EKR Therapeutics Inc. with \$145 million in debt and equity to build a specialty-pharmaceutical power that can compete with larger corporate players.

GE Healthcare Financial Services is providing \$95 million in senior debt, and new investors MPM Capital and LLR Partners are leading a \$50 million Series D - which closed on Friday -- that also drew return investors Quaker BioVentures, the Garden State Life Sciences Venture Fund managed by Quaker, NewSpring Capital and ESP Equity Partners. EKR has raised a total of about \$70 million in venture capital since forming in 2006. Its valuation is undisclosed.

Investors hope EKR's management can push the company's existing and new drugs to new heights. Last month it said it would buy the cardiovascular products of PDL BioPharma Inc., including Cardene I.V., Cardene SR and some new formulations. PDL obtained these drugs in 2005 through its \$500 million purchase of ESP Pharma Inc., a company co-founded and led by Howard Weisman, now Chief Executive of EKR.

EKR agreed to pay \$85 million in cash, plus up to \$85 million more in development and sales milestones for the new Cardene formulations, plus royalties on sales and new versions of Cardene and another product, ularitide, which is in Phase II trials for acute-decompensated heart failure. EKR also acquired another former ESP product, Retavase, a heart-attack drug.

Weisman and his EKR team have shown they can sell Cardene. Seeing growing physician interest in calcium-channel blockers for the acute treatment of hypertension, they acquired the drug from Wyeth in 2002, and grew its sales from about \$6 million to \$60 million, according to Weisman. That performance, plus the acquisition of Retavase, drove the PDL merger and provided an exit for Apax Partners, Domain Associates, New Enterprise Partners, and other ESP backers.

PDL pushed Cardene sales to \$155.5 million in 2007. With the patent on Cardene I.V. expiring in November 2009, however, PDL was looking to sell. The looming expiration limited the number of bidders, said MPM General Partner Steven St. Peter. That, plus EKR's experience with the drug, enabled it to secure the franchise at a good price, he said.

These factors, plus the significant equity the company has secured, also enabled EKR raise debt in a difficult environment. It also helped that GE Healthcare had provided ESP with \$60 million in senior debt in 2003, Weisman said.

Jason Cohen, senior vice president and pharmaceuticals analyst for GE Healthcare, said he thinks Weisman and his team will be able to switch physicians from Cardene I.V. to new, improved formulations, which will enable EKR to ward off generic and other competition. One big competitor figures to be publicly traded Medicines Co., which is developing an acute-hypertension therapy called Cleviprex that it expects to launch later this year.

EKR, which, like ESP, concentrates on acute-care products, has quadrupled its sales team to 80

and has people in 48 states, including several it hired from PDL. They will promote the new drugs and also the company's older products: DepoDur, an injectable morphine, and Gelclair, a bio-adherent gel for oral mucositis. The company also is hunting for additional therapies, Weisman said, including ones still in development. He declined to disclose current sales.

With a broader product line to push, these sales people can use their time at each hospital more effectively, said Quaker Partner Adele C. Oliva, who said the new products and this financing will help scale the business considerably. "The team is clearly capable of managing a much-larger company than what they have currently," she said. "We see this as a transformational acquisition."

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