

Local medical technology firms make big deals, moves in 2007

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by Margie Manning, Senior staff writer

Medical technology firms with ties to the Tampa Bay area are playing key roles in health care deal-making in 2007, led by transactions involving local giants PharMerica and Catalent Pharma Services, formerly Cardinal Health Pharmaceutical Technology and Services.

The active deal climate in the Bay area appears to be a contrast to the national picture. Nationally, health care has trailed other industry sectors for the past couple of years in terms of mergers and acquisitions, said John McDonald III, senior managing director of Hyde Park Capital LLC, a Tampa-based investment banking firm.

In the first quarter of 2007, there were 221 health care deals nationally, an 8 percent drop in volume from the first quarter of 2006, but the value of deals was up 69 percent year-over-year, to \$73.2 billion.

MTS Medication Technologies Inc. (AMEX: MPP), a St. Petersburg-based firm that manufactures automated drug packaging systems, was among the firms in the first quarter M&A market.

In February, MTS bought privately held CDH Consilio GmbH in Muehlthal, Germany, for \$733,000, including assumed debt. The deal gave MTS a platform to access other parts of Europe as it increases its international focus.

The deal-making has continued into the year. In a transaction for which Hyde Park was the investment banker, St. Petersburg-based DenCor Management Services Inc. was sold to Bloomfield Hills, Mich.-based Great Expressions Dental Centers Inc. for an undisclosed amount.

Global deals, local ties

The company at the top of the Tampa Bay Business Journal's list of largest medical technology firms (see Page 20), PharMerica Corp., is expected to emerge as an independent public company by July 31 after AmerisourceBergen Inc. (NYSE: ABC) and Kindred Healthcare Inc. (NYSE: KND) combine their institutional pharmacies.

PharMerica will be a \$2 billion company based in Louisville, Ky., with a customer support center in Tampa that has been the headquarters of AmerisourceBergen's institutional pharmacy business. Janice Rutkowski, president of the local AmerisourceBergen operation, will be chief clinical officer for PharMerica and based at the Tampa office.

Another list-leader is Catalent Pharma Solutions, the newly independent operating company that was Cardinal Health PTS prior to its acquisition by Blackstone Group in April for \$3.3 billion. Catalent, with more than 30 facilities worldwide and \$1.7 billion in annual revenue, has its primary North American soft gelatin capsule operations at the St. Petersburg plant, acquired in 1998, when Cardinal bought R.P. Scherer.

Scherer patented the soft gel technology in the 1930s, and since then the St. Petersburg plant has been on the front edge of the soft gel capsule as a technology platform, said Cornell Stamoran, VP of strategy and corporate development.

Soft gel capsules are a very specialized dose form for prescription drugs, making up about 1 percent to 1.5 percent of the total doses taken in the United States. They are used to deliver drugs in which the active ingredient doesn't dissolve or is poorly absorbed.

"Delivering it in a liquid form can often make drugs more easily absorbed," said Stamoran. Since several published sources have indicated a greater number of drugs coming out of discovery are poorly soluble, "I'm personally optimistic about the role that soft gel will play in the market going forward."

In late 2006, Dina Kostakis was named GM of the St. Petersburg facility, which has 720 employees and \$378 million in local revenue.

"This is a high-performing facility," Stamoran said. "A lot of that is a reflection of the people and of management."

On the horizon

Smith & Nephew plc's Bay area plant will be a bit busier after the company moves the operations of BlueSky Medical Group from California to Largo. The Largo plant is the U.S. headquarters for Smith & Nephew's advanced wound management division.

Smith & Nephew (NYSE: SNN) bought BlueSky in May in a deal valued at up to \$110 million, depending on future performance.

It's unclear how many jobs the move could add in Largo, but the number of new jobs will be small, the company said. Still, the deal gave Smith & Nephew an entry into the negative pressure wound therapy market, which involves applying suction to the wound bed and is the fastest growing sector of advanced wound treatment.

Additionally, Bausch & Lomb Inc. (NYSE: BOL), which has a plant in Tampa that produces eye medications, is up for sale. At press deadline, rival bids were pending from private equity firm Warburg Pincus and Advanced Medical Optics (NYSE: EYE).

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