

A Win for Skin

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Dermira aims \$40M at clear target: Acne

BY RON LEUTY

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Tom Wiggins and Gene Bauer are putting more skin in the game.

The dynamic duo of dermatology drug companies â€” who led, built and sold Bay Area companies Peplin Inc. and Connetics Corp. â€” are at it again with Dermira Inc. The Redwood City company, which has lined up more than \$40 million in venture funding, has one treatment in an early-stage clinical trial and two more under development.

But for Wiggins and Bauer, Dermira represents some unfinished business: the opportunity to build a solid, independent skin drug company. Or, they admit, consolidation in the dermatology business could allow them to easily sell Dermira.

Emeryvilleâ€™s Peplin was bought in 2009 by LEO Pharma A/S for \$288 million, and Palo Alto-based Connetics was acquired in 2006 by Stiefel Laboratories, now part of drug giant GlaxoSmithKline, for \$640 million.

With its four marketed drugs, Connetics was well established as a dermatology drug player with foams and other groundbreaking applications. Then, an accounting snafu and a Securities and Exchange Commission insider-trading case involving a vice president zapped the companyâ€™s momentum, and Stiefel swooped in.

Dermira could build a similar portfolio of skin drugs, Wiggins and Bauer said. The pair have moved quietly in building a team of familiar faces and potential products.

Within months of selling Peplin, which Wiggins and Bauer were brought in to lead after a failed initial public offering and a \$24 million fund-raising from New Enterprise Associates and MPM Capital, they were working with Bay City Capital to assemble Dermira. By the end of 2011, Bay City, Canaan Partners and NEA pumped \$42 million into Dermira.

Dermira about 18 months ago picked up the three drugs in its portfolio â€” including a photodynamic therapy that uses a light-sensitive compound to clear acne â€” from QLT Inc.

â€œWe view the treatment of acne as just a gigantic unmet need,â€ Wiggins said. â€œWeâ€™re looking for innovative therapies that might be early stage.â€

Wiggins and Bauer brought in project manager Janice Drew, who worked at Peplin, and, in January, research executive and Connetics veteran Hans Hofland. Co-founder Chris Griffith, a veteran of Bay City Capital as well as Gilead Sciences Inc. and Genentech, is vice president of corporate development and strategy.

That team is building at the right time, Bauer and Wiggins said. The demand for treatments for mild to moderately severe acne is growing, Bauer said. At the same time, the tube of dermatology companies has been rolled up to a powerful few, such as Bayer, GSK, Allergan and Galderma.

â€œThe drugs we use today are drugs we used in 1985,â€ Bauer said.

Wiggins and Bauer are a dynamic duo who know key dermatology doctors who can give valuable feedback on potential therapies and help populate clinical trials, said Wende Hutton, a partner with Canaan Partners. Wiggins brings business credibility, while Bauer is an inventor and company founder well known outside the dermatology space through his former

position at Stanford.

“When you back an A-team that has experience through commercialization, you have the option to ride the team and the technology all the way to building an independent company,” Hutton said. “But you also have the option that if they produce compelling data with the photodynamic therapy product and demonstrate superior performance in the other compounds, you can do a deal.”

Many of the dermatology industry’s buyouts have involved “trivial products,” Bauer said. But Dermira eventually could develop into a large, specialty drug company.

Still, Wiggins, Bauer and the Dermira team are moving quietly to push their treatments forward.

“Gene and I are too old and too experienced to rely on hype,” Wiggins said. “We don’t want to get anyone excited until we know what (the lead product) does.”