



Joe Krivulka



Joe Krivulka, with 25 years of industry experience, has put together a winning strategy — positioning Reliant as one of the fastest-growing pharmaceutical companies today

ARE YOU A RELIABLE GUY

BY KIM RIBBINK

Small opportunities are turning into big business for Joe Krivulka and Reliant Pharmaceuticals LLC, the company he co-founded just two years ago. Mr. Krivulka is seizing the opportunity to breathe new life into products being cast off by the pharmaceutical giants.

“Big pharma has products that are doing \$100 million to \$200 million in sales, but are under-loved,” Mr. Krivulka says. “Big pharmaceutical companies just don’t have the time to do line extensions or create additional value for some of the products in their portfolios. They’re focusing, and rightfully so, on bigger products that will add shareholder value.”

Reliant Pharmaceuticals, one of the fastest-growing pharmaceutical companies in the U.S., acquires, develops, and markets products with the potential to significantly improve the treatment and management of diseases affecting large sectors of the population.

With more than 25 years experience in the pharmaceutical industry, Mr. Krivulka believed that if a company could take smaller products, ones that still had value, and give

them the right kind of attention and resources, it could be successful.

“That was really the concept of why Stefan and I got together,” Mr. Krivulka says, referring to his business partner and Reliant co-founder Dr. Stefan Aigner.

Drawing on his experience as CEO of Bertek Inc., a subsidiary of Mylan Laboratories Inc., Mr. Krivulka, 49, perceived an opportunity in the marketplace, and along with Dr. Aigner, he put together a business plan. The company got under way in September 1999, with operations starting in July 2000.

Mr. Krivulka and Dr. Aigner approached several companies, found two products that seemed to have good potential and quickly won contracts for those products. The next step was raising capital. After meetings with four different venture funds, the young company found a match with Bay City Capital, a life-sciences merchant bank based in San Francisco, and Bay City’s financial partner, the Pritzker family. Other investors include Invemed/Gladwyne Catalyst Fund, Versant Ventures, and the Morgan Stanley Dean Witter Equity Fund.

Until they began pitching their idea to

investment groups, Mr. Krivulka and Dr. Aigner hadn’t come up with a name for their company.

“Stefan and I were getting ready to make a presentation to an investment-banking group and we had on our slides ‘TPC,’ which stood for The Pharmaceutical Company. We thought that was a little generic,” he quips.

One thing was certain, the partners wanted a company that sounded, and would be, reliable. “We spun off the word reliable, which became Reliant and it stuck.”

Five months after naming the company, Reliant launched the first of its acquired products. In August 2000, the company launched DynaCirc CR, which is indicated for the treatment of hypertension. Reliant purchased the DynaCirc product franchise from Novartis Pharmaceuticals. Two months later, Reliant launched the gastroesophageal reflux disorder drug Axid, which it acquired from Eli Lilly & Co. At the end of 2000, Reliant launched Lescol XL, a cholesterol-lowering treatment. In December the company signed a U.S. promotion agreement with Novartis on the Lescol family of products.

“DynaCirc gave us an opportunity to build

our infrastructure with a product that was a good size, but not huge," Mr. Krivulka says. "Axid was a much larger opportunity with more than \$200 million in sales. Axid gave us the opportunity to build our salesforce. Without the other two, Lescol would probably never have happened for us. Lescol gives us entrance to the statin market, which is the fastest-growing market in the industry and clearly dominated by some big players."

All three products are being promoted to physicians. Reliant has tapped Parsippany, N.J.-based Torre Lazur McCann Healthcare Worldwide to handle Lescol XL, the company's largest brand. For Axid and DynaCirc the company is tapping the talents of a smaller agency, called Metaphor Inc., of Sparta, N.J.

According to Mr. Krivulka, the company's sales and marketing programs are built on directed communications to the physicians, including showcasing and supporting

Reliant's products through a variety of mediums.

"We also work closely with the managed-care industry to develop and implement programs that will improve the quality of patient care," he says. "By building strong relationships between Reliant, its physician audience, the patients who use our products, the industry's key opinion leaders, and the managed-care payers, we will only strengthen Reliant's reputation in the healthcare industry."

Key to Reliant's success has been its relationship with physicians. "We believed that if we could get to the primary-care market, which prescribes 70% to 75% of prescriptions, we would be able to help the share value (of smaller products) as well as adding value through line extensions," Mr. Krivulka says. "That doesn't mean we don't go to specialists. We call on cardiologists and endocrinologists and gastroenterologists, but for the most part

we are working with the primary-care physician."

An important aspect of that relationship is educating physicians on Reliant's products. "We've taken a more educational approach than a hard-sell approach to the physicians," he says. "They like it better and it helps build respect for our company."

Reliant believes to improve health and overall quality of life, it must develop products that offer a combination of practical, yet meaningful, benefits to patients.

"We seek to enhance Reliant's products by improving their bioavailability and/or efficacy profiles, reducing the size or frequency of dosing schedules, and improving the safety and tolerability profiles, while keeping the price competitive," Mr. Krivulka says. "Product development and life-cycle management programs will continue to be a top priority for the company. We do not rest when the drug is on

Growth through acquisition

IN AN EXCLUSIVE INTERVIEW WITH PHARMAVOICE, JOE KRIVULKA DISCUSSES THE BUSINESS

STRATEGIES THAT ARE PROPELLING RELIANT'S FAST-PACED GROWTH.

WHAT DETERMINES WHETHER A PRODUCT OR PRODUCT LINE IS A WORTHY CANDIDATE FOR ACQUISITION?

We apply a list of strict criteria when evaluating potential candidates for our portfolio. Most notably, products should be promotionally sensitive and have a superior safety and efficacy profile. In addition, the product's largest target audience must be the primary-care physician, the most diverse group of healthcare providers in the U.S. Today, we have a salesforce of about 750 who are marketing our products to this important group, as well as medical specialists.

HOW ARE THE RECENT SPATE OF MERGERS AND ACQUISITIONS IMPACTING YOUR BUSINESS?

The continuing consolidation in the pharmaceutical industry is creating companies with vast resources to develop and market blockbuster

treatments for high-profile diseases, especially cancer, HIV/AIDS, and neurological disorders. As a consequence, companies must focus development and marketing efforts on products that promise to provide the greatest competitive advantage over their counterparts. These results create a wealth of valuable and effective, though lower-profile, products receiving little support. Ultimately, physicians and patients may be denied access to therapeutically beneficial and cost-effective treatments for widespread conditions.

We believe there are many opportunities for products that fall into this category, provided they receive the attention they deserve. But it takes the knowledge, savvy, and experience in all areas of pharmaceutical development, from product formulation and clinical development to navigating the regulatory review process to building an effective marketing strategy and salesforce. We believe Reliant is well positioned

COMPANY TIMELINE

✓ AUGUST 2001

- Lawrence Gyenes joined Reliant as Chief Financial Officer

✓ JULY 2001

- Appointed Irwin Lerner to position of CEO

✓ JUNE 2001

- Licensed North American rights to Ethypharm's micronized fenofibrate
- Greg Fulton joined Reliant as senior VP, marketing

✓ MARCH 2001

- Moved corporate headquarters to Liberty Corner, N.J.

✓ DECEMBER 2000

- Launched Lescol XL

✓ NOVEMBER 2000

- Signed U.S. promotion agreement with Novartis on Les family of products

the market; we initiate life-cycle management strategies, including seeking new indications and developing line extensions for the product, thereby bringing additional therapeutic options to caregivers and their patients, while leveraging the brand and maximizing our return on the investment.”

Fast out of the gate

Reliant, which started out as a two-man company, is now one of the fastest-growing pharmaceutical companies in the U.S., with about 200 corporate employees and a salesforce of more than 750. Mr. Krivulka attributes the company's success to its stable of topnotch staff. “We have a whole lot of good people here at Reliant,” the executive says, adding that the team was put together by recruiting people he

and Dr. Aigner had worked with in the past, or through recommendations from former colleagues.

The result is a management team with extensive experience in the pharma, biotech, and business worlds.

“Most of the people here have been in their jobs at other companies an average of 18 years,” Mr. Krivulka comments. “We put together a lot of people who had had successes at other companies.”

The company has attracted such industry veterans as Irwin Lerner, who is CEO of the

young company. Mr. Lerner was formerly president and CEO of Hoffmann-La Roche Inc. “Irwin is outstanding,” Mr. Krivulka says. “He is a true icon of the industry. He takes us to the next level from being a startup to truly being a company that can grow and be a major player in the pharmaceutical industry.”

Another coup for Reliant was the recruitment of Jack Bowman as chairman. Mr. Bowman was formerly company group vice chairman of Johnson & Johnson. On a more personal note, attracting Mr. Lerner and Mr. Bowman to Reliant was particularly exciting for Mr. Krivulka, who counts both executives as two of his mentors in the industry.

The company's board of managers is comprised of some of the top thought leaders in the pharmaceutical and financial industries.

Since the company's growth has been so rapid, Reliant also turned



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to offer an attractive option for these underloved products.

WHAT IS YOUR SALES AND MARKETING PHILOSOPHY FOR THE COMPANY?

Reliant's focused sales and marketing efforts are based upon ongoing directed communications to the physicians. We create programs to showcase and support our products, including journal advertising, educational seminars, physician and formulary advisory boards, and patient education and disease state management programs. Our national accounts team works with the managed-care industry to develop and implement programs that will improve the quality of patient care.

Our goal is to build strong relationships between our company, our physician audience, the patients who use our products, the industry's

thought leaders, and the managed-care payers.

WHAT IS THE COMPANY'S LIFE-CYCLE MANAGEMENT STRATEGY FOR ITS PRODUCTS?

Our development team implements life-cycle management programs for all our products. These programs include broadening therapeutic indications and package labeling, extending release profiles, and creating alternative dosing formulations, as well as others, to extend the product's market exclusivity and patent protection.

Our regulatory team works with the product development and clinical development teams before initiating work, as well as throughout the process, to ensure these programs meet the regulatory requirements necessary for approval.

✓ OCTOBER 2000

Launched Axid

✓ SEPTEMBER 2000

- Acquired U.S. rights to Axid from Eli Lilly & Co.

✓ AUGUST 2000

- Launched DynaCirc CR

✓ JULY 2000

- Raised \$135 million in second-round financing
- Acquired U.S. rights to DynaCirc family of products from Novartis AG and Novartis Pharmaceuticals
- Converted to limited liability company

✓ APRIL 2000

- Changed company name to Reliant Pharmaceuticals Inc.
- Established headquarters in Bridgewater, N.J.

✓ DECEMBER 1999

- Raised \$4.25 million in initial financing

✓ AUGUST 1998

- Formed as Bay Pharmaceuticals a Delaware corporation

to external partners for help. One such partner was Ventiv Health Inc., a leading contract sales organization, which has assisted in recruiting and training Reliant's salesforce and bringing the company up to speed.

To attract dedicated staff, Reliant offers employees a share in the company. "Every person from the CEO to the receptionist has stock options," Mr. Krivulka says.

While the company is still private, and consequently the options aren't worth a great deal, that will change if and when the company goes public.

An initial public offering is one subject that Mr. Krivulka isn't keen to discuss in depth. "Access to public funds is probably something that every company wants to have and it's important for us to be able to access those public funds. When that happens is still to be determined," he says, adding that discussing IPOs in the current market is difficult.

Undoubtedly, the combined experience of both Mr. Krivulka and Dr. Aigner has been a huge draw in winning over investors and staff. As CEO of Bertek and a corporate VP of Mylan Laboratories, Mr. Krivulka developed experience in such areas as mergers and acquisitions and extensive expertise in product launches, reformulation and line extensions, clinical development, and manufacturing. He successfully brought to market numerous branded products and managed Mylan's entry

into the branded pharmaceutical business, with the acquisition of several pharmaceutical companies. But most important was the philosophy he brought with him.

"The thing that Bertek and Mylan have is incredible integrity and a real view for quality assurance and adding therapeutic value to products, and I think that they are the kind of things we drew upon to start Reliant," Mr. Krivulka says.

Those core values, combined with innovative minds and an ability to focus on niche markets, have propelled Reliant to its current position.

"The company is one of the hardest-driving, striving-for-excellence companies that I've ever been associated with," Mr. Krivulka says. "I've got an awful lot of entrepreneurs who have all joined together. Virtually everyone that we've brought in has that same entrepreneurial spirit. If they didn't it would be very difficult for them to be a part of our team."

Finding the right niche

To date, Reliant has acquired the U.S. rights to three branded pharmaceutical products and their approved line extensions.

"While our products currently fall into the cardiovascular and gastrointestinal therapeutic categories, we are assessing products that will take us across a broad range of therapeutic areas, knowing our specialty lies in marketing products to the primary-care physician," Mr. Krivulka says. "To maximize our investment and reduce risk, our interest lies in currently marketed branded therapeutics and compounds that are entering or are in Phase II and III clinical studies.

"We're looking at other therapeutic areas that make sense," he says. "We're certainly looking at the neurological area and the anti-infective area as two opportunities for us to grow."

Mr. Krivulka says the company will be filing two NDAs this year for line extensions, though he wouldn't specify what the products would be.

Partnering with the big boys

The company has managed to develop significant co-marketing relationships with Novartis and with Eli Lilly.

"We look at companies that will be partners with us for a long period of time and on multiple fronts," Mr. Krivulka says. Those relationships have been strengthened, Mr. Krivulka says, thanks to Reliant's speed in the way it does business.

"Our ability to act and move quickly to meet the needs of our strategic partners is of great benefit," he says.

But the company doesn't intend to rest on its laurels. "The greatest challenges that we have are making sure that we can drive the sales of the products that we have and to continue to work with our strategic partners. I'm certainly thinking of ways we can grow Reliant," Mr. Krivulka says.

One avenue for growth is the biotech industry. "We can be great partners for companies that have products that will reach \$300 million, \$400 million, \$500 million in peak year sales," Mr. Krivulka says.

The company's mid-term to long-term goals are ambitious. "We'd like to grow the company to a multi-billion dollar organization and the way to do that is through acquisitions, line extensions, and new products coming into the company," Mr. Krivulka says.

And given the company's growth to date, from two people to several hundred in just two years, with three products on the market, those ambitions may not be so far-fetched. ♦

PharmaVoice welcomes comments about this article. E-mail us at feedback@pharmalinx.com.

Building a company

JOE KRIVULKA - RESUME

1999. Co-founded Reliant Pharmaceuticals with Stefan Aigner with a view to acquiring, developing, and marketing products that slip through the cracks at big Pharma

1997 TO 1999. Chief operating officer at Hogil Pharmaceutical Corp.; orchestrated the successful acquisition of Efidac 24 from Novartis and Alza

1993 TO 1997. CEO of Bertek Inc. and president and corporate VP of Mylan Labs, a division of Mylan Laboratories; redirected the company from a manufacturing-based organization to a high-tech transdermal research and development and manufacturing organization, adding more than \$5 billion in market capitalization to Mylan Labs

1990 TO 1997. VP at Mylan Labs; strategically planned and managed Mylan into the branded pharmaceutical business with the acquisition and development of ethical products

1989 TO 1990. Executive director, marketing, at Janssen Pharmaceutica, a division of Johnson & Johnson; relaunched Hismanal, achieving a 50% increase in sales during the first year

1986 TO 1989. Group business director of Sandoz Pharmaceuticals Inc.; increased sales 22% per year and developed strategic alliances with Glaxo Wellcome, Schering-Plough, and Warner-Lambert

1977 TO 1986. Lederle Labs from a rep, to district sales manager in Phoenix, to special coordinator of communications, to manager of new pharmaceutical products; developed an in-house advertising firm, Leda Advertising, which produced \$1.6 million in profits

EDUCATION. Temple University, Bachelor of Physiology, 1977; West Virginia Wesleyan College; Bachelor of Science, 1973