

DOWJONES
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venture market summary

BY YULIYA CHERNOVA

Domain Associates, an early believer in the now hot drug in-licensing business model of specialty pharma, got two successful exits on its hands within about a week. Its portfolio company, acute-care drug developer ESP Pharma, is being acquired publicly held Protein Design Labs for a big \$500 million, and now Valeant Pharmaceuticals agreed to pay \$280 million for Domain's neurology-focused Xcel Pharmaceuticals. Both acquirers said that the start-ups' established sales teams as well as product-sales revenue were main selling points.

For investors, the mostly-cash deals offer liquidity unlike that of an IPO exit. Still, Domain floated its specialty pharma, focused on hematology, Pharmion, in 2003. And it also has an infectious disease specialty pharma Peninsula Pharmaceuticals in registration for an IPO since February 2004. The successful sale of Xcel was preceded by the company filing to go public and withdrawing twice. Could Peninsula go the same route? Is an acquisition deal in the works?

Though backed with over \$80 million, Peninsula is certainly not as advanced as its recently public counterparts; it isn't selling any of its products. However, the start-up's lead candidate Doripenem, for the treatment of hospital-acquired pneumonia, was recently granted the Fast Track status by the FDA. Commercialization may prove to be the pivotal point for Domain realizing another investment in the sector.

Meanwhile, Domain is nurturing a younger specialty pharma, Somaxon Pharmaceuticals, which is in-licensing and developing psychiatric and neurological disorders and now raising a \$35 million Series C. Founded in 2003, Somaxon received an initial investment of \$2.3 million from Domain and Windamere Venture Partners, but by May 2004, it had a post-money valuation of \$32 million as of the close of its \$23 million Series B round, in which Domain, of course, took part.