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Alphaeon, backed by Strathspey Crown, to build specialty medical franchise with acquisitions, CEO says

by William Langbein in San Francisco

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Alphaeon, a private, lifestyle healthcare company, expects to continue its acquisition pace to build a national franchise that will be operated by specialty medical physicians, said Robert Grant, CEO.

Alphaeon, launched in July 2013, is backed by the Newport Beach, California-based private equity firm Strathspey Crown. Grant is chairman and managing partner at Strathspey Crown, which now operates a portfolio of lifestyle assets valued at approximately several hundred million dollars, according to the executive.

In the past month, Alphaeon has purchased one drug company and licensed two products. One license, completed on 10 October, brought TouchMD to Alphaeon. TouchMD is an interactive software platform that helps specialty physicians to educate patients about procedures before and after consultations.

In the acquisition, Alphaeon purchased **Evolus** of Santa Barbara, California, through which Alphaeon will gain the exclusive license to market, in both the U.S. and several international markets, an advanced Botulinum toxin Type A neurotoxin developed by **Daewoong Pharmaceutical Co., Ltd.** Alphaeon, based in Southern California, plans to market the neurotoxin under the brand name Evosyal.

Grant, who previously was CEO at Bausch + Lomb, explained both deals are part of Alphaeon's objective to build a national franchise for specialty physicians that will serve the self-pay lifestyle market with medical device and pharmaceutical treatments. Physician providers in this market include sports medicine physicians, dermatologists, cosmetic dentists and orthodontists, plastic surgeons and certain ophthalmologists.

While plastic surgeons and dermatologists long have served the self-pay market, Grant said Alphaeon now envisions an opportunity to pool more specialty physicians under one national, operating franchise. Alphaeon will build a platform for physicians to provide concierge medical services to the self-pay market, through which specialty physicians then can opt out of Medicare and other insurance programs, while continuing to operate efficiently and profitably, said Grant.

Projections for growth in the self-pay, lifestyle medical market call for the market to increase to USD 30bn in 2016, up from USD 20bn in 2013, according to Grant.

Alphaeon plans to create a national franchise similar to the emergence of ACE Hardware stores in the past 25 years. Most local hardware stores across the US operated as independents until ACE pooled the local market leaders under one national brand, noted Grant. ACE then created branded products, from light bulbs to screw drivers to furniture, which the independent franchisees could market more competitively than having to rely on purchasing products from third parties.

Alphaeon expects to implement the same strategy for independent specialty physicians, said Grant. The purchase of Evolus will enable Alphaeon to offer physicians a branded form of Botox to be used by the Alphaeon network. The Evosyal product is a next-generation neurotoxin similar to the drug **Allergan** just licensed from Korea-based **Medytox**, noted Grant. In the deal, Allergan paid Medytox an upfront fee to Medytox of USD 65m. In addition, Medytox can receive up to USD 116.5m upon achieving certain development milestones, and up to USD 180.5m in commercialization milestones.

The Evolus and TouchMD deals reflect the brand Alphaeon is building, said Grant.

Vik Malik, managing partner at Strathspey Crown, advises on Alphaeon deals. William Link, founder of Chiron Vision and managing partner at Versant Ventures, is chairman of Alphaeon.