

INVESTOR'S BUSINESS DAILY

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VENTIV HEALTH INC. *Somerset, New Jersey*

Sales Firm Lets Customers Keep Their Focus

BY PETER BENESH

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Do what you do best. It's a basic rule of business.

Drug makers and biotech firms should do what they do best: create new medicines to improve the human condition.

When it comes to marketing those drugs to doctors, however, it's better to call in the pros. That's the way Eran Broshy figures it, anyway.

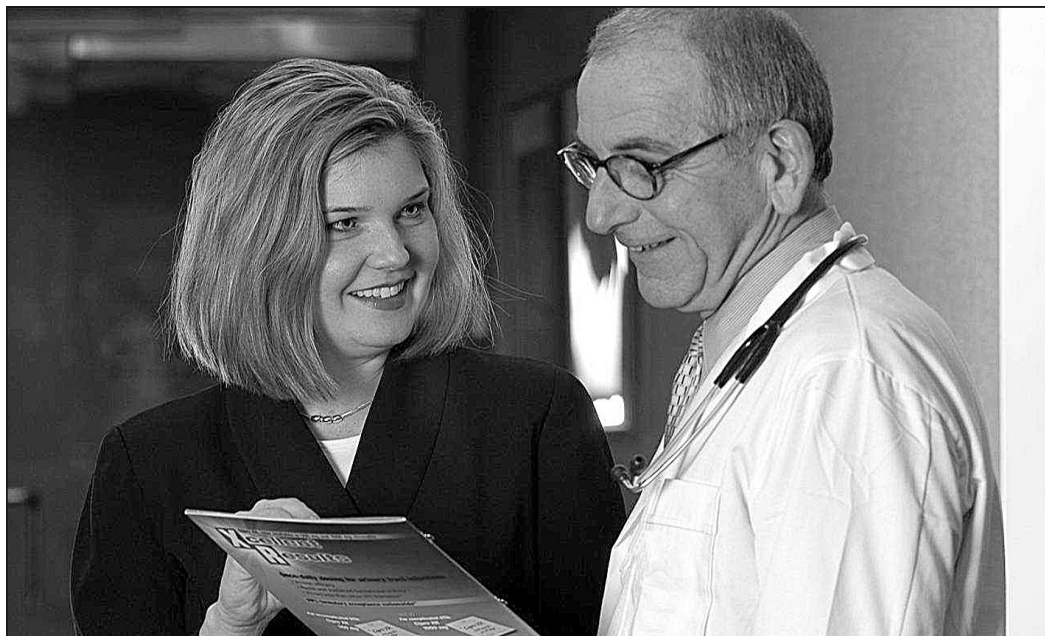
He's chief executive of Ventiv Health^{VTIV}, which recruits, trains and fields sales reps to pitch drugs to doctors. The company is hired by drug makers who'd rather focus on the business of developing drugs.

Ventiv also provides researchers to work on clinical trials for drug developers. And it handles market research, analyzing and forecasting sales results to give pharma intelligence for strategic planning.

The majority of Ventiv's business is fielding sales forces for biotech and drug companies, says analyst David Windley of Jefferies & Co., which does business with Ventiv.

The service is attractive to drug makers for a simple reason: They'd rather not hire and fire.

"Pharma views a full-time person as a long-term em-



Ventiv sales reps are hired by drug makers and biotechs to market products to doctors and other clients.

Ventiv Health Inc. ventiv.com

Ticker	VTIV
Share price	Near 19
12-month sales	\$310 mil
5-year profit growth rate	n.a.

IBD SmartSelect Corporate Ratings

Earnings Per Share	80
Relative Price Strength	95
Industry Group Relative Strength	D-
Sales+Profit Margins+ROE	B
Accumulation/Distribution	B-

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ployee," Windley said. "Layoffs are a big deal in big pharma."

Cost Savers

It's better for some companies not to have armies of salespeople when times get

lean. And when boom times hit, recruiting and training can cost time and money.

Drug makers are also better off farming out their clinical trial work, CEO Broshy says. He claims Ventiv can save pharma at least 25% over the do-it-yourself cost.

"We can recruit quickly and provide high-quality teams the customer can ramp up or down at short notice," Broshy said.

Ventiv needs only 10 to 12 weeks to assemble a sales force, he says. That includes background checks and classroom work.

The company gives its salespeople the same kind of training as big pharma does and requires the same

qualifications. Big drug makers not only set the selling standard — they also provide the main competition.

"Our biggest challenge is to convince companies that outsourcing is better than doing it themselves," Broshy said.

In the case of smaller drug developers, outsourcing might be better than taking on a big drug maker as a partner. Small firms that buddy up with the big boys to sell their products can lose control of both the discovery and the profit, Broshy says.

He figures two-thirds of Ventiv's business comes from small to midsize players.

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“The companies introducing the majority of drugs this year are smaller,” Broshy said. “That’s been the trend for two or three years.”

Broshy says Ventiv considers itself an “enabler” of smaller drug firms. That’s not to say it shies away from the big boys. The firm also does business with the biggest 20 drugmakers.

He can only guess at the potential market size. There are 100,000 pharmaceutical sales reps in the U.S. Of that number, only 8,000 are outsourced. Ventiv employees 2,500 of them. Broshy reckons there’s room for about 15,000 outsourced salespeople in the U.S.

A sales rep generates \$110,000 to \$130,000 in revenue each year, Broshy says. He puts the market potential at just under \$2 billion on the sales force side of the business, which accounts for 60% of Ventiv’s revenue.

The company posted \$75.2 million in sales during the second quarter, up from \$46.2 million the prior year. Earnings nearly tripled to 19 cents a share.

On Monday Ventiv reported third-quarter profit of 20 cents a share. That was 67% higher than the prior year and 3 cents a head of Wall Street views, pushing the firm’s stock up.

A recent poll of First Call analysts projected that full-

year earnings would grow 76% to 72 cents a share.

Raising Eyebrows

To broaden its base, Ventiv last month completed its purchase of Smith Hanley Corp., which specializes in late-stage clinical staffing and recruiting services to U.S. biotech and pharmaceutical clients. Ventiv paid \$30 million in cash and \$20 million in stock.

Analyst Windley questions the wisdom of the acquisition. Just as pharma should stick to drug development, he says, Ventiv should stick to providing drug sales personnel.

The only links between the firms is that both serve the drug development industry.

“Cross-selling opportunities do exist, but are never easy to capitalize on,” Windley wrote in a research note.

An earlier Ventiv acquisition seems more promising, Windley says. In June, Ventiv acquired privately held Franklin Group, which is hired to make sure drug samples don’t go astray.

Ventiv did not disclose the cost of the acquisition.

Franklin’s a good fit with the selling side of Ventiv’s business, Windley says.

Stand by for more buy-outs, says CEO Broshy. The company has \$62 million in cash on hand and is ready to build with it.

Ventiv’s main publicly traded competitors are PDI Inc.^{PDI} and IMS Health^{RX}.