

## CORPORATE STRATEGY

**WILL CELLTECH MOVE BACK TO THE FUTURE?**

LONDON—"In the next ten years, I hope that Celltech will have emerged as a pharmaceutical company with some highly innovative drugs some of which it may market itself and some of which would certainly be marketed collaboratively." These words could have been spoken by chief executive Gerard Fairtlough on the Slough-based company's formation in 1980. In fact, they belong to Peter Fellner, the former chief executive and managing director of Roche U.K. (Welwyn Garden City) who has now taken the reins from Fairtlough. Such promissory notes must be underwritten by subsequent action. It now falls to Fellner to wring from Celltech a streamlined and business-like performance to dispel the disappointment which has settled like so much dust on the company during its first ten years.

The nadir for Celltech followed the collapse of British and Commonwealth Holdings (B&C, London), which owned 36.4 percent of Celltech. Stock market rules would have forced a full bid for the company had a single buyer acquired B&C's stake.

None emerged, leaving the inevitable conclusion that no one thought Celltech worth the estimated £120 million takeover cost. Now, says Fellner, B&C's administrators are content to dispose of the shares "in an orderly way...over the next several years." Not knowing exactly who ultimately will control this share of the company may nonetheless be unsettling to would-be collaborators.

One of the first tasks Fellner has set himself is to review the company's clinical R&D program with his new director of research, David Bloxham—another Roche alumnus. Already he thinks a "refocusing of resources in R&D" will occur. And that will mean "selecting and running research programs in a way similar to—and competitive with—the major pharmaceutical companies. We would tend to have a rather small number of research areas with heavy efforts in each, efforts that would be comparable with those that a Glaxo or a Roche would put upon those areas." Fellner also wants to switch the emphasis from science-and-technology-driven to therapeutic-program-driven

and R&D with specific projects in immunomodulation and inflammation, among other areas.

With 550 employees, the company probably could be "slimmed down a bit," says David Leathers of London-based Abingworth Investments. In the short term, however, that looks unlikely. "Overall, I intend to somewhat expand R&D," insists the new chief executive. Specifically and significantly, he will be adding expertise in medicinal chemistry and pharmacology.

At the same time, the new management duo is concerned about funding the transition. Observes Ian White of Kleinwort Benson (London): "If a company is going to discover new candidate drugs and not license them out too early, then it obviously needs to be able to support extended clinical work. There are currently obstacles to the company's raising more money. A number of investors feel disappointment in how Celltech has done." And if the mood in the money markets is unenthusiastic, Celltech's prospects for significant short-term returns from its pharmaceuticals do not look much better. Calcitonin gene related peptide (CGRP) and anti-tumor necrosis factor (anti-TNF) show promise, but largely in (small volume) critical care markets. In anti-TNF, Celltech finds itself up against the combined might of Chiron (Emeryville, CA) and Bayer (Leverkusen, F.R.G.), a grouping Abingworth's Leathers feels holds the stronger patent position. And while Celltech's anti-cancer monoclonals could generate revenue, the principal beneficiary is likely to be its partner, American Cyanamid (Wayne, NJ).

Fellner is playing down the need to raise further capital, instead pointing to contract production of biologics as the way to fuel Celltech's flight into pharmaceutical R&D—despite tough competition. "The major drug companies already have facilities similar to those at Celltech," he admits. "It is incumbent upon Celltech to increasingly seek high-added value products in its biologics business, pursuing projects with particular technological difficulties."

However it is funded, Fellner's short-term goal is to turn Celltech into "a pharmaceutical R&D company which has real candidates in the middle clinical phases." An earlier task for Fellner, according to Leathers, is "to restore morale internally and credibility externally."

—John Hodgson

**PFANSTIEHL****Look to us for building blocks for anti-viral work**

The capability starts with our basic product line of blocked sugars, nucleosides, and a broad range of carbohydrates for the life sciences and key intermediates for anti-viral R&D. We are also leaders in the production of ultra high purity, low endotoxin sugars for use in parenteral nutrition and other critical applications, such as tissue culture work. In the life sciences, we've got the blocks to build on.

**PFANSTIEHL LABORATORIES, INC.**

*The source for carbohydrate chemistry*

1219 Glen Rock Avenue/Waukegan, IL 60085-0439  
Tel.: 1-708/623-0370/Toll Free: 1-800/383-0126  
FAX: 708/623-9173/Telex 25-3672 Pfanlab  
57-R

**MAKING THINGS WORK**

Write in No. 216 on Reader Service Card