

# Ed Quilty CEO, Derma Sciences, Inc.

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**F**ounded in 1984, Derma Sciences, Inc. (Princeton, NJ) is a fully integrated manufacturer, marketer, and supplier of a complete line of wound and skin care products. The company's products fall into five categories: Advanced Wound Care, Traditional Wound Care, Burn Care, Skin Care and Bathing, and Specialty Securement and Closure Devices. With two wholly owned and operated manufacturing facilities in Toronto and China, Derma Sciences also offers contract manufacturing services for private label products. Based on the premise of topical nutritional wound therapy, Derma-gran®, the company's first product, helped Derma Sciences become a leader in the burgeoning advanced wound care market. Since that time, the advanced wound care market has shifted from the basic management of moisture/occlusion at the site of a wound to more "active" therapies. As the science and fundamental understanding of chronic wounds has advanced, Derma Sciences has responded with several new dressings.



In preparation for his current role as CEO at Derma Sciences, Ed Quilty served in various C-Level executive positions relevant to overseeing his current staff. He has a Bachelors degree in Economics as well as an undergraduate degree from Missouri State University and an MBA from Ohio University. "The first 12 years of my career was with Baxter American Hospital supply (Deerfield, IL) and then I had various roles with increasing marketing responsibilities, working the corporate side and running different divisions," he says.

Ed also served as the Executive Vice President of McGaw Inc. an IV solution company, until 1992 when he transitioned into the role of CEO of Life Medical Sciences (Edison, NJ); later, he was the CEO of MedChem Products. Before coming to Derma Sciences, Ed was the CEO of Palatin Technologies.

Derma Sciences does not rest on its laurels. In addition to its manufacturing capabilities, the company also has a pharmaceutical product under development with an initial indication for healing diabetic foot ulcers; the Phase II trial will be completed during the third quarter of this year. Future indications will include other chronic ulcers, burns, and scar prevention/reduction.

"We manufacture more than 2,000 SKUs in Canada, Mexico, and China," Ed explains. "We've developed and/or introduced five new Advanced Wound Care products in the last 3 years, including our proprietary line of Medihoney® dressings. We are very proud to say that, considering the relative size of our sales force in the US versus those of our competitors, Medihoney is arguably one of the most successful new dressings to be introduced into the advanced wound care market in the last 7 to 8 years."

Medihoney first started to build its reputation in helping to resolve stalled wounds that otherwise may not have healed. It was not long before Derma Sciences started to see people expanding use of the product. When certain enzymatic debridement products were pulled from the market, it gave clinicians the opportunity to also assess Medihoney as a strong product for debridement. "We are still in the infancy stage of our product development and sales with Medihoney," says Ed. "To support the consistent growth in demand, we have 20 sales positions—up from the 10 we had last year—and will have all positions filled by June. From a clinical evidence perspective, since Medihoney has been introduced, there have been two randomized controlled studies published, which is very impressive for an early stage product.

More than 35 case studies have been presented at major wound care conferences, and over 25 peer-reviewed articles have been published on the successful use of Medihoney and its base component – active Manuka honey. Because of the combination of clinician experience in the wound care community, case studies, and randomized controlled trials, Medihoney has come a long way in solidifying its reputation in the market place.

Derma Sciences recently completed the acquisition of the worldwide rights to Medihoney from their partner, Comvita. Headquartered in New Zealand, Comvita provides and controls more than 75% of the world's production of Manuka honey – and specifically the majority of the highly "active" Manuka honey which is used as a component in wound dressings. Additionally, the company owns the majority of the significant patents around the use of high concentrations of honey in wound dressings. "Since we've acquired the worldwide rights, we are now in the process of hiring people in Europe and expanding our operations to build the worldwide franchise of Medihoney," says Ed.

What Ed finds most impressive in the wound care industry is the dedication of the people to resolving the sometimes fatal and incredibly serious wounds that in some cases lead to amputation and death. "Even in the short time I've been involved, the development of the profession has been impressive," Ed says.

When Ed became CEO of Derma Sciences in 2001, Derma Sciences was a \$5 to \$6 million company. This year they are projecting to generate \$60 million in revenue as a result of tremendous growth. Derma Sciences built the infrastructure around their manufacturing business 5 years ago and started a robust private label manufacturing business. "Today we

manufacture dressings for companies such as McKesson, Covidien, 3M, and many others,” Ed explains. “This has been a real growth area for us and has served as the cash flow to help build our proprietary product line. In addition to Medihoney, we’ve also introduced Xtrasorb™, a highly absorbent line of dressings and BioGuard™, a line of dressings utilizing a proprietary technology that we licensed from Quick Med Technologies. We’ve incorporated this technology into gauze dressings that kill MRSA and other pathogens that could infect patients in hospital and nursing home settings. Both these product lines have been very successful since their launches.”

Additionally, Derma Sciences partnered with MedEfficiency to sell TCC-EZ™, a total contact casting system rapidly gaining popularity within the wound care community. The company also introduced its own silver dressings to have a complete offering of different types of dressings. “We now have a line of novel wound care products for first-line care, for stalled wounds, for antimicrobial purposes, and for the unique needs of diabetic ulcers.”

Moving beyond chronic wound care, in the fall of 2007, the company acquired its first-aid business. “This gave us entry into the consumer market and will allow us to develop some of the technologies, including Medihoney, to sell through that channel. Our successful launch of several novel advanced wound care dressings plus our expanding reach into additional markets and channels have helped turn Derma Sciences into a highly recognized, fast growing, wound care company.”

The company’s mission is to continue providing all levels of wound dressings for efficient care in hospitals, nursing homes, and home care. Ed and his team continually seek and develop new technologies to advance wound care on a global level. “From a financial standpoint, we are a public company traded on the NASDAQ and our goal is to provide value for our shareholders by successfully implementing our mission,” he says. “We want to make ourselves a dominant player in the wound care arena. We have developed and introduced some proprietary and unique products that we feel will differentiate us and help us achieve that goal. As is always the case in healthcare, we are confident that if we bring value to our customers and help to make a meaningful difference in the lives of their patients, this will lead to added value within Derma Sciences for our investors.”

When it comes to the company’s ongoing success, Ed is quick to applaud his dynamic colleagues. His executive team consists of Barry Wolfenson, Global Executive Vice President, who heads Marketing and Business Development. Barry has spent many years in wound care. Bob Cole is Derma Sciences’ Executive Vice President of Sales and brings more than 30 years of experience from the medical device business. John Yetter serves as the company CFO and spent the first half of his career at Bristol-Myers Squibb. Ed describes John as a sophisticated financial professional who helps run the business. Fred Eigner is Executive Vice President of Operations worldwide; he spent many years at the Kendall Company. Fred holds



**Bioguard™:** Bioguard™ is the non-leaching antimicrobial dressing. Derma Sciences received FDA clearance in February 2009 and had its first commercial sale of the product in June 2009. The dressings serve as a barrier to infection, kill germs absorbed into the dressing, and do not interfere with tissue healing. The dressing’s active agent maintains effectiveness even in the presence of large amounts of proteinaceous exudates. Nine US patents pending and 24 foreign counterparts protect the technology within Bioguard dressings.



**MEDIHONEY™ Active Leptospermum Honey dressings:** MEDIHONEY™ is the first honey-based product cleared for use by Health Canada and also the first cleared for use by the FDA. These unique dressings contain Active Leptospermum Honey. The dressings can be used in all phases of wound healing and could be considered a key dressing in any wound bed preparation protocol. These qualities can help to take much of the guesswork out of wound management.

a Masters Degree, an Engineering degree, and a degree in textile management. This solid management team and an additional 200 professionals bodes well for Derma Sciences’ success. But like virtually every business, Derma Sciences has recently felt the economic downturn, which has affected business in a number of ways. “The one piece of business that took



**XTRASORB™:** XTRASORB™ is a novel super-absorbent wound dressing. At its core is a super-absorbent polymer that allows the dressing to help re-define the category of highly absorbent dressings. Whereas other absorbent dressings (including foams, abd pads, and other cellulose-based dressings) rely on spaces within the dressings to fill with fluid, XTRASORB's super-absorbent polymer binds to fluid and converts to a gel. The distinct advantages this offers over traditional dressings are:

- XTRASORB dressings are able to hold more fluid
- XTRASORB dressings lock fluid inside the dressing, helping to decrease the risk of maceration
- XTRASORB dressings lock fluid inside the dressing, helping to keep the harmful contents inside would fluid away from the wound and periwound skin

a hit was our first-aid business where we sell adhesive strips to kit packing customers,” Ed says. “When the automobile industry was negatively affected in 2009, we saw a sizeable drop in revenues in that part of our business.”

Fortunately, this business sector is starting to come back and Derma Sciences worked tirelessly with those customers during the downturn to try to support them, resulting in drops in volumes as opposed to complete losses of business. “Our company and our customers will be okay,” says Ed. “Our presence in the wound care space has remained constant. Certainly, many of our smaller distributor customers were trying to stock fewer products and were having difficulties. We helped them keep their businesses as robust as we could and we are now starting to see that return on investment. We didn’t see major drop in demand for our dressings and this was a wonderful thing for us.”

Looking ahead, customers can expect to see the continued expansion of Derma Sciences’ products, as they will launch several extensions to the Medihoney, Xtrasorb, and BioGuard lines. Ed’s team has various product development initiatives they are reviewing in addition to a launch. “What you will see is strong growth at both the top and bottom line as we go through 2010 and beyond,” he explains. “Ongoing new product introductions will continue to be a theme with Derma Sciences. We are most excited about the upcoming launch of Xtrasorb Foam, a product which we believe will give clinicians a significant improvement over conventional polyurethane foams. Perhaps most importantly for Derma, results of the Phase II trial of our wound healing drug, DSC127, are on the horizon. There is currently only one product approved with a wound healing indication, and that has been around for a while (Regranex). Through our drug development opportunity, we are now looking at a product that has the potential to aid hundreds of thousands of patients and could have sales in the hundreds of millions of dollars. We anticipate having clinical results on this before the year is over.”

The company’s goal is to be known as an innovator in this field, bringing products to market that advance wound care by promoting new technologies, empowering caregivers, and focusing on the unmet needs of patients. With the past, present, and forecasted success, the Derma Sciences team is well on its way to achieving its goals. ■