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Area company goes from rags to riches

NovaMin's purchase by a pharmaceutical giant could stir more interest in local startups.

By [Anthony Clark](#)
Business editor

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When NovaMin Technology Inc. first spun out of USBiomaterials in 2003, the eight founders of the Alachua-based biotech startup had enough funding to last a few months and faced skepticism from the dental and toothpaste industries about their regenerative toothpaste ingredient.

Now after more than six years of fits and starts, the company has been purchased by U.K. pharmaceutical giant GlaxoSmithKline in a deal worth \$135 million - the largest acquisition of its kind for a local technology company.

The acquisition is being hailed as a deal that will bring more investor interest to local tech startups and create entrepreneurs looking to start new companies as NovaMin dissolves.

The "Powered by NovaMin" label was gaining traction as the company's ingredients found their way into specialty toothpastes in the U.S., Europe, Canada, India and Brazil. The ingredients are in Dentsply International's NuPro, the leading cleaner for dental hygienists; Burt's Bees' new oral care line; SootheRx by 3M/Omni; Topox Renew; Dr. Collins Restore; and NovaMin's own Oravive brand, available on the Web. The products will be gradually discontinued.

GlaxoSmithKline owns the Aquafresh and Sensodyne brands, but a spokeswoman would not reveal the company's plans for NovaMin's ingredients.

NovaMin has its roots in a bone regeneration compound invented by professor Larry Hench at UF in the late 1960s. Two dentists at the University of Maryland invented the dental application with research funded by USBiomaterials, a former Alachua County company that moved to Jacksonville. NovaMin spun off from USBiomaterials in 2003.

NovaMin had 21 employees at its peak and occupies an 8,000-square-foot office and lab in Progress Corporate Park in Alachua, but will wind down operations at the end of June.

The company's exit comes after years of uncertainty. NovaMin President and CEO Randy Scott said the company landed early investments and a couple of business deals to keep it afloat in the early going.

But most of the dental industry was skeptical of its pitch, which sounded too good to be true - an ingredient that reverses early tooth decay, eliminates hot and cold sensitivity, kills more of the bacteria that causes gum disease than regular toothpaste, and strengthens and whitens hard tissue.

But competition among other companies marketing similar calcium phosphate formulas was actually the best thing that ever happened to NovaMin, Scott said in a 2007 interview.

"All of the sudden there's three or four people telling the story, and that automatically adds credibility," he said.

About that time, he said the question in the industry went from "do these things make sense" to "which one of these is best."

From there, the horse race was on to see which company would win the toothpaste sweepstakes.

Scott said Friday he believes NovaMin's technology was superior but that the company was behind in marketing.

He said the company finally crossed over the hump in late 2008. It had closed deals with large dental products companies for dentists' offices and was starting to gain traction with smaller toothpaste companies, which in turn received the attention of larger toothpaste companies.

NovaMin was in talks with the five major toothpaste companies when GlaxoSmithKline made its move "relatively quickly," he said.

Scott said NovaMin's venture capital investors will receive the majority of the buyout. Early investors and all employees were also shareholders.

While he cannot speak to GSK's plans for NovaMin's technology, Scott said the pharmaceutical company was attracted to NovaMin's products for dentists, an area where GSK is trying to gain a foothold.



File

NovaMin Technology CEO Randy Scott, shown in a laboratory in 2007, said the company's venture capital investors will receive the majority of the buyout.

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A GSK spokeswoman would only confirm that the deal was completed in December 2009.

GSK was keeping the deal confidential, but word slowly started leaking out in the local biotech community after the acquisition was mentioned in the company's 2009 annual report.

NovaMin's dissolution points to a common end to medical startups, that many successful ones will be absorbed by large pharmaceutical companies or move away.

In 2008, ViewRay, built on a radiotherapy cancer treatment technology developed at the University of Florida, moved to Cleveland to be in a cluster of imaging technology.

A year later, ViewRay received a \$25 million investment, the largest for a UF spinoff in at least 10 years.

That's why the UF Office of Technology Licensing's strategy is to help build as many companies as it can, "knowing we'll lose some and keep some," Director David Day said.

"Some will grow big enough that they become acquirers themselves," he said, pointing to Alachua-based RTI Biologics' merger with Tutogen Medical Inc. in 2008.

Scott pointed to another possible parallel with RTI, whose founders went on to start some of the more promising biotech startups with their experience and wealth, such as Xhale and AxoGen.

A few NovaMin employees will work for GSK, but others, including Scott, have visited Day about getting involved in other UF tech spinoffs, he said.

"I'm sure many of us will take what we've learned here and move into new business opportunities that will hopefully generate employment opportunities for the local community," said Guy LaTorre, NovaMin's vice president of business development.

Scott created a Web site - novamintalent.com - to tell NovaMin's story and post employee resumes.

The deal adds credibility to efforts to grow local tech startups, Day said. NovaMin now will be named alongside publicly traded local medical technology companies RTI Biologics and Exactech, he said.

The deal also will increase investor interest in local tech companies, said Brent Christensen, president and CEO of the Gainesville Area Chamber of Commerce.

"A lot of their funding came from outside this community," he said. "Now that they've had success, they'll probably be right back here in Gainesville looking at other technologies. There are lots of opportunities with \$500 billion in research at the university."

Scott said the venture capital investors received a 10-fold increase on their investments.

"This is the kind of deal that shows venture capitalists, 'Oh, we can go to Gainesville and make money,' " he said.

Contact Anthony Clark at 374-5094 or anthony.clark@gvillesun.com.

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