Tripos Rediscovered

An Interview with Jim Hopkins, CEO of Tripos Discovery Informatics

Wendy A. Warr

Introduction

Over the last few years, Jim Hopkins has assisted Vector Capital, a San Francisco-based private equity company that specializes in taking small-cap, often struggling, public companies private. The Tripos Discovery Informatics division was purchased by Vector Capital from Tripos, Inc. in March 2007 and Jim was appointed CEO of the new software company. Before working with Vector, Jim was Chairman of the Board, CEO and President of Micrografx, Inc., a Richardson, Texas-based public company that developed and sold application software for the graphics, enterprise process management and technical design marketplaces. Micrografx was acquired by Corel in 2001, and Jim joined the Corel Board of Directors immediately thereafter. He first met Vector Capital personnel during their acquisition of Corel in 2003.

Headquartered in St. Louis, Missouri, Tripos Discovery Informatics serves more than 1,000 customers spanning over 46 countries. The newly private company will focus on innovation within its current technology portfolio, specifically enhancing the core functionality and user experience of its computational informatics product suite SYBYL. Additionally, the company will continue to sup-

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port the large pharmaceutical companies that have adopted Tripos' Benchware enterprise-class products, through professional services, customer and technical support. Tripos Discovery Informatics is backed by the scientific expertise of Dr. Richard D. Cramer, Chief Scientific Officer and Dr. Robert D. Clark, Vice President of Research.

Interview

Wendy Warr: Are you in this for the long term?

Jim Hopkins: Corel was my last "real job". Since then I have been in interim management, helping Vector Capital to run companies that it bought, and helping early stage companies in which I have an interest. But I see Tripos as a *permanent* job. I've retired twice and I am poor at it.

WW: What is your strategy for newly independent Tripos Discovery Informatics?

JH: There are three points to the strategy for the new Tripos. The first concerns the product line based around SYBYL, a mainstay for computational chemists. Our intent is to put more resources into SYBYL to support Tripos' long-standing customers for it. We intend to modernize it, improving the look and feel and usability. We have retained some of the Optive technologies but some Optive products did not live up to expectations, and we will not likely continue with them. In general, I believe the Optive acquisition took our eye off the ball with SYBYL, although it added some new technologies and brought some talented people. The second part of the strategy is to exploit correctly Tripos' previous investment in its Benchware enterprise products, Benchware Discovery 360 and Benchware Notebook, Tripos' electronic lab notebook (ELN). Last, but not least, Vector Capital owns a majority share of Tripos and wants to find other companies to roll

into Tripos. Right now, they are especially interested in "plumbing" companies. Vector believes that the consolidation of the pharmaceutical industry, with fewer but larger customers, makes it important for the suppliers of technology to those customers to get larger as well.

WW: What is a "plumbing" company?

JH: You know as well as I do the companies that are good at moving data around, and there are a few in the drug discovery market. I'm confident Vector might even consider trying to acquire more than one plumbing company; and if there is overlap in software packages, the customer can pick the best parts of each. Vector might also be interested in software for clinical trials, or other applications that are not specifically targeted for use by computational chemists. We want to focus on developing products to aid in drug discovery and perhaps the drug approval process. In particular, we want to provide decision support tools. Also, we believe it is important to be able to use data in a variety of different ways and from within different tools and for that, a services oriented architecture (SOA) and pipelining are essential. We are supporters of KNIME [Konstanz Information Miner]. It is open source, it has a nice licensing strategy, and it is supported by various vendors. The Tripos Chemistry Extensions package introduces chemical intelligence to the KNIME platform, so researchers can work with chemical data in an open-source workflow environment.

WW: What do you say to the cynics who make comments about asset stripping by private equity companies?

JH: Vector does not work that way. You have only to look at the experience of Corel: Vector acquired it as a public company and took it private in August of 2003, and refocused the company on its core markets. They bought one or two other companies that were in the same or similar markets as Corel, and took the new Corel public in April of 2006. After a subsequent acquisition, Corel is now twice as large as it was when Vector bought it, and Vector is still a large shareholder.

WW: Does the Vector acquisition mean job losses at Tripos?

JH: Vector bought only the Discovery Informatics business, so of the 150 or so employees of the "old Tripos", we brought over 106 into the new Tripos. The remaining employees, most of whom were either executive management or part of the Discovery Research division, remained behind with the old Tripos. The people responsible for the science behind the Discovery Informatics products and the sales people who sold them are part of the new company. I myself want to be very involved in marketing and the interface with our customers, so I can help in the sales and marketing effort.

WW: What are your short term plans and which parts of the strategic plan are long term?

JH: Improving the value proposition for SYBYL is being addressed right now. Our customers have told us that the user interface and usability issues need attention. In addition, smaller companies are playing a larger role in drug discovery than in the past. Large pharmaceutical companies such as Sanofi, Wyeth and Pfizer, all of which are SYBYL customers, have been the source of most drug discovery in the recent past. However as the pharmas have combined, the number of computational chemists who use our products in the combined companies is often reduced. Some of these computational chemists that are not kept on in the combined companies end up in smaller organizations, and these smaller organizations often will develop new computational chemists to aid in their discovery effort. The SYBYL user interface matters to these users and we need to make the SYBYL tools more accessible and easier to learn. Supporting this idea of smaller companies doing more of the drug discovery, the April, 2007 issue of the U.S. business magazine "Fast Company" contained an article stating that 25% of the drugs that the top 10 pharmas put through clinical trials from 2003 to 2005 were discovered by outside organizations. The same article said that Merck has 12 products from outside sources in their current pipeline, up from only 4 in 2004. Venture capitalists are funding these smaller companies, with the idea of identifying a promising new drug and having a big pharma buy the company or license the drug. We want to become the modeling software of choice for these companies. In the short term we are also working on the initial release of our Discovery 360 enterprise product, expected in November of this year.

The longer-term strategy is to remain focused on our core markets, and strengthen our position in drug discovery technology. To do that, we intend to move SYBYL and our other discovery products toward a SOA. That architecture is based on providing the customers flexibility in how they use a particular piece of software by having the software delivered as a reusable service. Another component of our longer-term strategy is to provide middle-market versions of Discovery 360 as well as the current versions targeted toward larger organizations.

WW: I have to ask about the exit strategy. Following the example of Vector and Corel, do you foresee an IPO for a future Tripos Discovery Informatics plus partners?

JH: That is certainly part of my plan. I believe that a decent-sized software and services company, focused on providing the technologies needed to help all kinds of organizations be more efficient at discovering and delivering life-enhancing and life-saving pharmaceuticals, could be a successful public company. Even though in many ways the drug discovery software market is a mature one, there is still a lot of software that could be written to aid in the discovery process, and that new software could create the growth that public market shareholders want in a stock.