

Covance Inc.

Incorporated: 1996

NAIC: 54171 Research & Development in the Physical,

SIC: 8731 Commercial Physical Research; 8733 Noncommercial Research Organizations

Covance Inc. ranks second in size among contract biopharmaceutical research organizations in the United States, providing a wide range of integrated product development services worldwide to the pharmaceutical, biotechnology, and medical device industries. To a lesser extent, it provides health economics and outcomes services to managed care organizations, hospitals, and other healthcare providers, and laboratory testing services to the chemical, agrochemical, and food industries. Covance was created at the end of 1996 as a spinoff of Corning Inc.'s pharmaceutical services business and now has offices in 17 countries.

Covance originated from Corning Glass Works' health and science activities (which were consolidated into a single operating division in 1977). This unit entered the life sciences research field by taking a small stake in Hazleton Laboratories Corp. and then purchasing the rest of the company in 1987 for about \$115 million. Hazleton began in 1968 as Environmental Sciences Corp., a manufacturer of equipment for the care of laboratory animals that set up shop in the basement of an old supermarket in Seattle. In 1972 the company acquired Hazleton Laboratories Inc., a contract laboratory founded in 1946 and devoted to toxicological research. Environmental Sciences, which previously had purchased Hazleton's animal research division, took its name and continued to grow by further acquisitions.

By 1982 Hazleton was the largest independent biological testing company and life sciences laboratory in the United States and the largest laboratory equipment manufacturer in the world. Biological research, the main segment of its business, included testing the effect of new drugs, cosmetics, pesticides, and industrial chemicals on animals and chemically analyzing new compounds for the pharmaceutical, chemical, and food industries. The company's other segments were manufacturing laboratory and medical equipment and breeding rhesus monkeys and beagles for the research departments of chemical and drug companies, government agencies, universities, hospitals, and its own facilities. In 1986, its chairman described Hazleton as the world's leading provider of biological and chemical research services to the pharmaceutical, chemical, food, cosmetic, and biotechnology industries.

In 1989 Corning Glass Works (which became Corning Inc. that year) acquired G.H. Besselaar Associates, a company serving leading international pharmaceutical companies. Corning Lab Services, Inc., a subsidiary established in 1990 for the parent company's laboratory services segment of its business, included both Hazleton and Besselaar. That year Hazleton acquired Microtest Ltd., a molecular toxicology center in York, England, and Besselaar added locations in Europe, the United States, and Japan to its worldwide network by acquiring two international clinical research organizations. Besselaar was the world's largest contract clinical research organization by the end of 1992.

Corning Lab Services expanded its clinical trials with the purchase of Philadelphia Association of Clinical Trials (PACT) Inc. in 1990. In 1991 it added to its roster SciCor Inc., an Indianapolis-based laboratory dedicated to clinical trials of new pharmaceutical compounds. Corning Lab Services'

pharmaceutical laboratory capabilities were expanded in 1992 with the creation in Switzerland of a jointly owned company, SciCor S.A., which was fully acquired in 1994. In 1993 Corning combined Hazleton, Besselaar, and SciCor into a single operating unit, becoming Corning Pharmaceutical Services. Combined, the three businesses offered testing services that supported product development from initial stages to the marketplace. The parent subsidiary, Corning Lab Services, was renamed Corning Life Sciences, Inc. in 1994.

Corning Biotechnology Services was founded in 1995 as a majority-owned unit of Corning Life Sciences to offer contract manufacturing of new biological products for biotechnology and pharmaceuticals clients. Armed with a \$3 million state low-interest loan and a \$500,000 cash gift, this unit located in Research Triangle Park, North Carolina. The plant it opened there in 1997 was the biggest biotechnology facility in the world devoted exclusively to outsourcing.

Corning Inc. announced in April 1996 that its laboratory testing and pharmaceutical services business segments would be spun off to its shareholders at the end of the year, creating two independent companies, which were subsequently named Quest Diagnostics Inc. and **Covance Inc.** **Covance**, the former Corning Pharmaceutical Services, established headquarters in Princeton, New Jersey. The company had net revenues of \$494.8 million in 1996 and net income of \$12.7 million. It increased these figures to \$590.7 million and \$39.8 million, respectively, in 1997, and \$731.6 million and \$48.6 million, respectively, in 1998.

Covance, in November 1998, acquired GD XI, Inc., providing centralized electrocardiogram analysis for clinical trials, and Berkeley Antibody Co., providing contract services and custom animal research, antibody production, and applied immunology.

The contract services that **Covance** was providing constituted two lines of business: early development of pharmaceuticals, including preclinical and Phase I services; and late-stage development, including clinical and periapproval, central laboratory, pharmaceutical packaging, and health economics and outcomes services. The first step in the development of new pharmaceuticals involved preclinical research--animal and test tube studies to establish the basic pharmacokinetic effect and safety of a drug, including its toxicity over a wide range of doses. This phase typically lasted six months to three years and, if approved by regulatory agencies, was followed by clinical trials on human beings.

Covance had offices in 17 countries in 1998. **Covance** served approximately 290 biopharmaceutical companies in 1998, including nearly all of the world's 50 largest pharmaceutical companies and most of the largest biotechnology companies.

The former Hazleton was now a subsidiary named Covance Laboratories Inc. The former Besselaar was Covance Clinical Services Inc. PACT had become Covance Periapproval Services Inc.; SciCor, Covance Central Laboratories Inc.; National Packaging Systems, Covance Pharmaceutical Packaging Services; Health Technology Associates, Covance Health Economics and Outcomes Services Inc.; CRS Pacamed AG, Covance Pharmaceutical Packaging Services AG; GD XI, Covance Central Diagnostics Inc.; and Berkeley Antibody, a subsidiary of Covance Research Products Inc.

In April 1999 **Covance** announced that it had reached an agreement to acquire Parexel International Corp., the world's third largest clinical trials company, for stock valued at \$671 million. This

purchase would have allowed **Covance** to pass its chief competitor, Quintiles Transnational Corp., in size. During the following two months, however, **Covance's** stock fell by more than 25 percent on widespread investor disenchantment with the proposed transaction. The merger was called off on June 25. Wellington Management Co. LLP was **Covance's** leading stockholder at this time, with 12.7 percent of the shares. **Covance's** long-term debt stood at \$150 million.

Principal Subsidiaries:

Covance Biotechnology Services Inc. (78%); **Covance** Central Diagnostics Inc.; **Covance** Central Laboratories Inc.; **Covance** Clinical Services Inc.; **Covance** Health Economics and Outcomes Services Inc.; **Covance** Laboratories Inc.; **Covance** Periapproval Services Inc.; **Covance** Pharmaceutical Packaging Services AG (Switzerland); **Covance** Pharmaceutical Packaging Services Inc; **Covance** Research Products Inc.

Principal Operating Units:

Client Relations Group-Europe; Client Relations Group-North America and Asia; Clinical Development Services; Early Development Services.

Sources:

Condensed from <http://www.answers.com/topic/covance-inc>, <http://en.wikipedia.org/wiki/Covance>, and <http://www.fundinguniverse.com/company-histories/Covance-Inc-Company-History.html>

Further Reading:

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Pereira, Joseph, and Robert Langreth, "Covance's Accord to Acquire Parexel Gets Called Off," *Wall Street Journal*, June 28, 1999, p. B6.

Psandya, Mukul, "A Quiet Giant Grows Bigger," *BUSINESS News New Jersey*, April 3, 1996, p. 15.

Tanouye, Elyse, and Laura Johannes, "Covance to Acquire Parexel in \$671 Million Deal," *Wall Street Journal*, April 30, 1999, p. A3.

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