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Robot maker Parata plans to buy rival

The Durham company would double its work force by buying an automated prescriptions business. But its headquarters might leave the state

SABINE VOLLMER, Staff Writer

A Durham company that builds robots to help pharmacists fill prescriptions is buying a rival to expand its product line and gain access to more retail pharmacies.

Parata Systems will more than double its work force to about 550 by buying the automated prescriptions systems business of San Francisco-based McKesson. Parata also signed a sales and marketing agreement with the giant drug wholesaler.

Parata officials are betting that the deal will help the company profit from a new prescription benefit for the disabled and elderly. Medicare Part D, which the federal government rolled out Jan. 1, is expected to increase the number of drugs prescribed and intensify pressure on already overwhelmed pharmacists.

Only 10 percent of the estimated 55,000 retail pharmacies nationwide have drug-dispensing robots, said Doug Townsend, a senior executive who co-founded Parata in 2001. "There's still a significant market opportunity out there. This is a huge deal for us."

It's an opportunity to boost revenue and broaden the machines' appeal to retail pharmacies with a low volume of daily prescriptions, Townsend said.

But the deal also raises the possibility that Parata's corporate headquarters will leave North Carolina.

When the acquisition closes, which is expected to happen within 30 days, Parata will take on about 300 McKesson employees located in Pittsburgh and Alexandria, La. No decision has been made about whether positions will be moved or Durham will remain the company's home, Townsend said. "Everything is under consideration."

Financial details of the deal were not disclosed, but it will turn



Parata's drug-dispensing robots can help retail pharmacies fill patients' prescription orders.

Photo Courtesy of Parata

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PARATA SYSTEMS

FOUNDED: 2001

BUSINESS: Machines to help retail pharmacies fill prescriptions.

EMPLOYEES: about 250, including 170 in Durham.

CEO: Jess Eberdt

competitors into partners. McKesson will become a significant minority shareholder in Parata. A five-year sales and marketing agreement that is part of the deal allows Parata to tap into McKesson's network of about 200 sales representatives and follow up on leads that the sales representatives develop while visiting pharmacies.

George Hill, a Leerink Swann analyst who tracks McKesson, questioned why the drug wholesaler would sell its business serving retail pharmacies, an important customer base. "We also wonder about the need to buy access to Parata's robotic technology through this alliance," Hill wrote in a research report.

But McKesson spokesman Kris Fortner said the deal will combine the companies' strengths.

"Parata has arguably the best product on the market. McKesson has the broadest reach," Fortner said.

Despite rapid-fire growth -- from 50 to 250 employees over the past two years -- Parata couldn't have quickly built a sales network comparable to McKesson's, Townsend said.

Since its inception, Parata has focused on high-volume retail pharmacies -- established independent or chain businesses that process 150 prescriptions a day or more.

McKesson's retail business targeted pharmacies processing fewer than 150 prescriptions a day. The drug wholesaler also provides robots for hospital pharmacies.

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