

FINANCING TO FIT

RBS SUPPORTS HEALTHCARE COMPANIES THROUGH THEIR LIFECYCLE, FROM START-UP TO MATURITY

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The biopharmaceutical industry is characterised by long lead times and a high degree of risk, particularly in discovery and development. So it follows that accessing finance requires a broad range of sources, depending on where a company sits in its lifecycle.

For RBS, supporting companies is about far more than offering loans. “We will provide you with a trusted advisor relationship from start to finish,” says Emily Makinson, the bank’s associate director, healthcare and pharmaceuticals. “And although we are here to lend money to businesses, this is not always the right solution so we’ll make sure we put you in contact with people who can help.”

That applies “whatever stage of lifecycle they are at”, Paul Weeks, director, healthcare and pharmaceuticals, adds. “We’ll try to set them up with the right people to help them. We’re well networked in the professional advisory market as well as the equity-funding markets.”

Indeed, RBS has the only corporate banking team in the mid-market space with a pharmaceutical-sector focus. “We’ve been establishing ourselves in the sector since we started out 18 months ago,” he explains. “And we’re very much on the lookout for companies in growth mode.”

The funding options

With a fledgling company, such as a university spin-out working on early-stage molecules, funding options are more likely to come from equity than debt. “When businesses are in cash-burn phase, that’s equity risk rather than debt risk,” Makinson observes. “So they are better off funding themselves from the equity markets, be that via an IPO listing or private investment or venture-capital funding.”

Once the business has property or equipment in place, it may be eligible for asset-based lending or other forms of debt financing, albeit fully or largely secured in most cases.

Bank funding really comes into play when there are established products – some might still be six months to a year away from launch – perhaps with milestone payments or royalty income in hand but there will be a track record of some kind for income generation. “If you’re manufacturing some of those drugs, you might have equipment we can provide asset financing against,” Makinson adds. “Or we can offer working-capital facilities, where you might look at an uncommitted overdraft facility, just to ease some of that day-to-day cash burden.”

With products on the market and revenues flowing, companies can start accessing other services in addition to bank debt, such as mitigating the risk of foreign-exchange fluctuations or hedging against interest-rate increases.

As the business grows, it may need follow-on funding, whether through an initial public offering or private-equity



instruments such as a leveraged buyout. RBS can facilitate these efforts through its network of private-equity contacts.

Healthcare IPOs

“We’re watching UK pharmaceutical and healthcare IPOs with interest this year,” Weeks adds. “We’re very much expecting activity because the equity markets are ready for it.”

While the bank is keen to help out biopharmaceutical businesses with international operations, it also sees rich opportunities for growth and investment in the UK. Recent “positive messages” from government, such as the renewal of the PPRS scheme, provide a more stable foundation for lending, Weeks points out. “I think there’s still a lot of investment available for the right companies in the UK, be that private investment, IPO or private equity,” Makinson adds.

The starting point for RBS, she emphasises, is experience and awareness of the whole biopharmaceutical lifecycle and the different needs that arise. “Some relationships we have with companies date back 30, 40, 50 years, since the business was a start-up, all the way through to a listing,” Makinson comments.

“That relationship is what we focus on. We understand businesses are going to go through growth cycles; and the bank aims to support its customers through it all.” ■

To find out how RBS can support your pharmaceutical business, please contact Stuart Dean, Head of Healthcare and Pharmaceuticals on 020 7672 1485 or email stuart.dean@rbs.co.uk.

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