CASE STUDY: RSM'S FAO HELPS SUPPORT PHARMACEUTICAL COMPANY'S GROWTH INITIATIVES

Overview

Our client is a pre-revenue-stage drug development company focused on acquiring and commercializing late-stage prescription products that employ efficient and effective solutions for the treatment of chronic and acute pain. The company was established in 2012 with 10 employees and grew to 30 within a year. The company is on track to employ 60 full-time professionals by the end of 2017 with revenue projected to $300 million per year.

Background

The pharmaceutical company is positioned to become a world-class, global company that delivers the next generation of innovative pain products. The company has a drug that is awaiting Food and Drug Administration (FDA) approval for commercialization; based on successful clinical trials, the company has a high level of confidence that the drug will be approved for release in the market.

Like many similar companies, our client had limited internal finance and accounting resources, instead focusing its funds on research and development and preparing the drug for launch. Company executives were not satisfied with their existing financial solution, and had concerns about its ability to scale with projected growth and reporting demands. The company managed its financial information with QuickBooks, and found that labor-intensive manual processes would not be able to support the organization’s next level of growth.

The company needed a new platform and new processes to support its financial accounting needs once the drug launched and the company began receiving significant revenue.
Project

The company reached out to RSM US LLP via the firm’s website and asked for help to enhance and standardize its financial processes. The RSM finance and accounting outsourcing (FAO) team met with the company’s chief financial officer (CFO) to understand organizational goals, needs and reporting requirements, and then developed a strategy and a holistic approach to managing the company’s financial information.

Once its drug becomes commercialized, the company’s volume and flow of transactions will change dramatically; therefore, RSM and the company discussed a technology system implementation, and simultaneously a strategy for enhancing the company’s finance and accounting infrastructure.

The company often leverages outsourcing providers, and wanted to maintain a lean finance and accounting environment even after the drug’s launch. RSM and the company worked together to develop an FAO solution to support the company from product development to launch, and then post-launch to ensure the company maintains accurate financials and timely monthly reporting.

RSM advisors determined that a cloud-based NetSuite enterprise resource planning (ERP) platform was right for the company in order to enhance transaction processing, tax compliance, reporting and month-end close assistance. The solution also helps create quarterly board packages, providing greater financial insight and detailed, reliable data for more informed decision-making.

Within four months, RSM transformed the company’s financial environment, implementing a sophisticated finance and accounting solution that generates complex financial statements, provides supporting material for board transparency and is compliant with Generally Accepted Accounting Principles (GAAP). Both the technology and outsourcing solutions are scalable to account for the company’s projected growth and subsequent increase in financial activity.

Some company investors also require reviewed statements on a quarterly basis, and therefore demand a higher level of scrutiny and accuracy. RSM’s FAO solution has helped the company provide timely and accurate information for current and future investors to support ongoing drug development.

As the company grows, it will require financing for different components of bringing new products to market, such as working with the FDA on labeling. To help the company reflect its current financial information and growth prospects, the RSM valuation team was also engaged to help value the company options that are issued to executives as incentive compensation twice a year.

Outcome

RSM’s FAO practice designed a comprehensive finance and accounting solution to meet our client’s current needs as well as its growth goals. The company joins an increasing number of decision-makers who are turning to outsourcing to help enhance performance, reduce costs and optimize their operations. By adopting an outsourcing model with RSM’s FAO advisors, company employees and executives can better focus on growing the core business and remaining competitive.

In addition, by working with RSM, the company has consolidated multiple outsourcing engagements under one company. Instead of working with multiple organizations for the NetSuite implementation, FAO, ongoing accounting support and valuation, the company only has to manage one relationship.