

Cebert Pharmaceuticals

FHL CAPITAL CASE STUDY: SALE OF PHARMACEUTICAL PRODUCT LINE

THE NEED

Cebert Pharmaceuticals was founded to acquire, license, develop, market and distribute prescription and OTC pharmaceutical products. Substantially all of Cebert's revenues came from selling Methadone HCl products for opioid addiction treatment. The company also had two promising new products in late pre-clinical development. Cash flows from the Methadone business were being aggressively reinvested into new product development.

Without warning, regulatory changes caused the Methadone business to change dramatically and Cebert's management projected that revenues would drop by over 50%. The Methadone products would no longer be profitable for Cebert. The company had a short window of time until projected operating losses would jeopardize the viability of its products in development and the future of the company as a whole.

THE SOLUTION

Cebert reached out to its accountant for advice. The accountant suggested engaging FHL. FHL advised Cebert on its broad strategic alternatives during a very challenging time and ultimately suggested that Cebert sell the Methadone product line to raise cash and finish their development projects. There were a small handful of qualified candidates who could operate the Methadone business profitably, so FHL designed a small-scale auction to get optimal results and conclude the process in a short amount of time.

Cebert and FHL concluded a successful sale of the Methadone product line to Boehringer Ingelheim (BI), one of the top 20 pharmaceutical companies in the world. FHL was able to get quick action from BI despite the decision makers being in Germany and never meeting face to face. The deal was fair and paid in cash. Timing, regulation, and cross-border aspects added difficulty, but the end result was very favorable. There were several complex legal issues, but FHL was able to repeatedly suggest strategic solutions.

THE BENEFITS

Several options were quickly explored prior to the transaction; once a course of action was chosen, FHL negotiated and executed their desired transaction efficiently and obtained an attractive price for a troubled asset. Cebert was able to harvest significant cash from its unprofitable product line to continue its new product development.

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FHL also helped with cash flow management throughout a tough transition period. Cebert was a lean sales & marketing organization and the challenge called for all hands on deck. FHL was able to act as an outsourced finance and M&A team when the company needed extra resources immediately.

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