



# Solvency Opinion Aids Dividend Payout for Life Sciences Company

## Client Profile

<b>Industry:</b>	Life Sciences
<b>Annual Revenue:</b>	\$350 million
<b>Entity Structure:</b>	Corporation
<b>Ownership:</b>	Private
<b>Geographic Footprint:</b>	U.S. & Canada

## Timely & Defendable Solvency Opinions

### Issue

A pharmaceutical company's investors requested a return for their long-term investments in the company. The company did not anticipate a significant M&A transaction nor was it preparing for an initial public offering (IPO), so it decided to payout a sizable dividend to its shareholders. On the advice of its counsel, the company's Board of Directors requested a third-party solvency opinion.

### Solution

Using our knowledge of the life sciences industry and our opinion work experience, our valuation team assessed the risks inherent in the company's operations, and incorporated the assumptions necessary to assess solvency. We considered how sales volume and profitability among multiple drugs in various stages of the product life cycle, brand and generic drug competition, unknown timing and probability of success for FDA approval of pipeline drugs, and increased scrutiny of drug pricing by the government affected the company's projected cash flow.

This particular company also faced a pending investigation. The possibility of a significant contingent liability as a result of litigation had to be incorporated into the opinion, which added a level of complexity to the solvency opinion process.

### Outcome

The corporation received a defendable, independent opinion that could be presented to the Board. Ultimately, the Board approved and paid out the dividend to shareholders in a timely manner.

A solvency opinion provides an independent assessment of a borrower's ability to service its debt and helps companies understand the impact of incremental debt on working capital, cash flow, and total asset value. Boards of Directors often seek third-party solvency opinions to evaluate a business's ability to be solvent and have adequate capital when considering a leveraged transaction.

Our team has the industry and valuation expertise on which you can rely to reach a reliable opinion in the desired time frame.



For more information about solvency opinion services, contact Charlie Higgins.

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