

“Protecting your Life Sciences Business and Adding Value” Company Case Study

The Company

MTCO is a fast growing (limited liability) medtech company operating in the life sciences/healthcare sectors.

MTCO has a growing portfolio of SME clients and a couple of blue chip, household name, clients, upon which it relies quite heavily. Clients are usually signed up to long-term contracts.

Having won a series of National Awards, MTCO’s “trendy and cutting edge” brand is strong and developing quickly.

New technology

Recently, MTCO has developed some ground breaking new diagnostic technology in conjunction with a brilliant PhD student, who has been seconded from a local university. The technology could well give MTCO a huge competitive advantage, as it has been successfully trialled in the field with customers confirming that it is sufficiently robust and functionally/technically sound. Equally, it also presents significant opportunities for collaborative commercial exploitation with a range of interested third parties.

Major new contract

In the meantime, MTCO has tendered for, and is on the cusp of clinching, a major framework supply/procurement contract from the NHS. If successful, MTCO will need to demonstrate Digital Technical Assessment Criteria and Data Security & Protection Toolkit (DSP) compliance to supply into the NHS, and will require investment in new plant and premises to service the NHS contract. MTCO will also need to employ a considerable number of new staff and engage external overseas developers to assist with further product development, growth and roll out, whilst recognising that securing the NHS contract will involve the company “inheriting” part of the NHS’s own relevant operational team(s).

Cybersecurity/data protection breach

Recently, MTCO suffered a near miss cybersecurity breach which has the potential to breach sensitive personal data. Only in hindsight have MTCO recognised the possible ramifications, their potential liability and the resulting impact on future plans had the attack been successful. They are motivated to implement robust and appropriate long term cyber and data security measures to mitigate the risk of a subsequent reoccurrence.

Ownership

MTCO was established by two individuals, 8 years ago, and is still owned by them equally.

The younger of the two (aged 33) is the technical wizard and single. The older of the two (aged 67) is a management accountant/mentor, with a young wife (age 23) and a son (age 18) who works in the business.

Management

Supporting them is a small, young but committed management team. They have been with the company since Day 1. They don't have any share options but have received "discretionary" bonuses each year since MTCO started to turn a profit.

Funding

MTCO is extremely cash generative but needs help to fund:

- the investment in plant in relation to the new framework supply/procurement contract;
- 2 new sites acquisitions (one new freehold development and a lease of a newly constructed unit);
- ongoing product development; and
- working capital as it grows.

The company wants to refinance its existing debt away from the incumbent bank, Traditional Bank (with whom MTCO has an overdraft facility and property term loan), and to secure alternative/other loan or financing arrangements for the additional funds required.

Valuation

Some key value drivers already incorporated in the company include: (i) long-term contracts; (ii) high growth; (iii) recognised industry awards; (iv) varied customer base; (v) brand; and (vi) technology. MTCO is keen to establish how best to enhance and protect these to maximise value.

Potential investor

Out of the blue, MTCO has also been approached by a potential investor, one of its existing large blue chip clients. The client in question is prepared to invest a proportion of the company's required funding as a mixture of debt and equity. The investor is tech savvy and intends to contract the services of an information security company to conduct cyber and data security due diligence on the business.

End game

The owners want to sell the company but don't know how or the options. Their timeframe is unclear because there is "lots going on" in the company. At the weekend, the two owners spoke to a friend in the pub who sold his engineering company last year.