

RSM'S FAO HELPS SUPPORT PHARMACEUTICAL COMPANY'S GROWTH INITIATIVES

Overview

Scilex Pharmaceuticals 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 in excess of \$300 million per year.

Background

Scilex 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.

Like many similar companies, Scilex had limited internal finance and accounting resources, 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.

Scilex needed a new platform and new processes to support its financial accounting needs once the drug launches and the company begins receiving significant revenue.

Project

Scilex 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 Scilex's financial information.

Once its drug becomes commercialized, Scilex'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 Scilex 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 Scilex in order to enhance transaction processing, tax compliance, reporting and month-end close assistance. The solution also helps create quarterly financial reporting packages, providing greater financial insight and detailed, reliable data for more informed decision-making.

During the FDA approval process, Scilex was acquired by a similar pharmaceutical company that specializes in early-stage drug development, Sorrento Therapeutics. Scilex proactively sought a strategic partner to increase resources and access to capital for required FDA studies, and the synergies between the two companies will increase effectiveness during the development and approval process.

The new parent company evaluated Scilex's financial processes and was satisfied with RSM's FAO strategy for the business. In fact, the relationship between RSM and Scilex has grown, as more extensive reporting is necessary because Sorrento is a publicly traded company. RSM has taken on that additional demand, and has efficiently provided the necessary reporting and documentation to meet the new compliance requirements.

Within four months, RSM transformed Scilex's financial environment, implementing a sophisticated finance and accounting solution that generates complex financial statements, provides supporting material for investor transparency and is compliant with generally accepted accounting principles (GAAP). Both the technology and outsourcing solutions are scalable to account for Scilex's projected growth and subsequent increase in financial activity, as well as evolving reporting demands for its new public parent company.

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 Scilex provide timely and accurate information for current and future investors to support ongoing drug development.

Outcomes

RSM's FAO practice designed a comprehensive finance and accounting solution to meet Scilex'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, Scilex employees and executives can better focus on growing the core business and remaining competitive.

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

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