

profile SEAN CHRISTIE

The right prescription



PHOTOGRAPHER: ROGER HARRIS

ASTRAZENECA'S DIRECTOR OF
TREASURY SEAN CHRISTIE
OUTLINES HOW TREASURY
SUPPORTS THE GROUP'S
STRATEGY FOR SUCCESS.
GRAHAM BUCK REPORTS.

This December will mark the 10th anniversary of the deal that created AstraZeneca, one of the world's top pharmaceutical groups, whose annual sales last year approached \$30bn with an operating profit of \$8bn.

Originally formed in the late 1990s through an all-share "merger of equals" between Zeneca, the "life science" group which had spun out of ICI, and Swedish group Astra, the group has developed a presence in over 100 countries worldwide and has a workforce of more than 67,000 employees.

The group's flagship products include cancer treatment Arimidex, Crestor for cardiovascular conditions, Nexium to treat gastrointestinal disease, schizophrenia and bipolar disorder drug Seroquel and Symbicort for asthma and chronic obstructive pulmonary disease.

Patents on these drugs are for a finite period and can be subject to challenges from generic manufacturers. Like its main competitors, such as GlaxoSmithKline, AstraZeneca's share price is highly sensitive to investors' perceptions of its product pipeline and its ability to offset expiring patents with new products. Earlier this year, AstraZeneca announced that a patent challenge to Nexium by a generic manufacturer had been settled.

Since its formation, the group's focus for most of the period has been on the small molecules sector of the pharmaceuticals market, but in April last year it made news with its \$15.2bn acquisition of US group, MedImmune Inc, a leading biopharmaceuticals company.

While the group is at the leading edge of pharmaceutical developments, its treasury practice – led by Director of Treasury, Sean Christie, aim to be equally advanced.

"The acquisition of MedImmune accelerated significantly our ability to deliver on our biologics strategy, and gave access to vaccines for the first time," says Christie. It was an equally significant transaction for the group's finances.

MAKING A DECISION Christie has been with the group for nearly seven years – he can remember his exact joining date as it was one day after the September 11 terrorist attacks on New York and Washington – and AstraZeneca was at the time still completing the post-merger process of integration.

He had come to London a couple of years earlier from New Zealand, where he studied finance and trained as an accountant. During this time, Christie worked for KPMG in the audit practice, which he says sparked his interest in banking and corporate treasury

PERHAPS THE MAJOR EXPERIENCE FOR CHRISTIE OVER THAT TIME HAS BEEN THE FINANCING OF THE ACQUISITION OF MEDIMMUNE, WHICH CHRISTIE SAYS WAS A KEY DELIVERABLE FOR THE TREASURY TEAM LAST YEAR.

work. Having attained his accountancy qualifications he says: "Like many other Kiwis, I decided to take some time out and see the world."

So in the late 1990s he relocated to Europe and was able to finance his travelling with regular three month and six month work stints at a major investment bank. "It then came to taking a decision on whether to return to New Zealand or to remain in London and I chose the latter."

Christie says that he looked for a position with a major blue chip organisation with worldwide operations and AstraZeneca fitted the bill.

KEY DELIVERABLE Perhaps the major experience for Christie over that time has been the financing of the acquisition of MedImmune, which Christie says was a key deliverable for the treasury team last year.

The acquisition was an all cash offer, so the first priority for the treasury team was to obtain funding commitment for the full acquisition price to support the final bid: "At this stage we were ahead of the credit issues of the summer, so we were able to obtain this commitment from a small number of banks.

"In parallel we were also refining our view on how much debt we could live with, and the exact structure of that debt, ahead of the Board approving our financial policy.

"Once the acquisition was secured, the funding commitments were turned into a bridge loan facility, which was used to meet the initial



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purchase. Following the initial bridge drawdown, the facility was refinanced through the commercial paper (CP) market to achieve a lower cost of financing and to establish a presence in the US CP market.

Christie says: "During the summer months SEC shelf documentation was updated and a new Euro Medium Term Note (EMTN) programme was set up, while the treasury team also negotiated a series of bilateral loan facilities to replace the existing bridge facility and provide back up facilities for our ongoing CP programme. The re-financing was a bank relationship-defining event and establishing medium-term committed facilities allowed us to formalise our core banking group."

LESS THAN HELPFUL The onset of the credit crunch last summer was less than helpful. Christie says that the financing strategy was devised when market conditions were particularly benign. Within a very short period, the financial world changed dramatically and Christie adds: "Many of the things that we had been able to take for granted were no longer so."

Despite this, AstraZeneca successfully issued \$6.9bn in bonds early last September, swiftly followed up by a €750m debut Eurobond. As *The Treasurer* reported at the time, the US offering was the largest US dollar investment grade corporate transaction in five years and won added kudos in reopening the bond market for European corporates, while the follow-on debut Eurobond managed to give that market a much needed shot in the arm. It represented "a key piece of work from the team, completed in a very difficult market."

AstraZeneca followed up these issuances in November with a long-dated debut sterling bond and a short-dated Eurobond "which completed the re-financing of our long-term debt".

INTRODUCING SIGNIFICANT DEBT The introduction of significant debt for the first time has introduced new challenges for the treasury team, "having historically carried a net cash balance, the challenge for the team has been to establish the processes for managing a large portfolio of debt on an ongoing basis, without losing sight of the other risks we manage, such as foreign currency".

The team's primary objective is summed up by Christie as "to maintain the group's liquidity and our access to finance", he adds, "as part of this, we have specific initiatives underway to improve our cashflow forecasting and review how we finance the supply chain to identify opportunities and efficiencies.

"Each is part of an overall effort to maintain our financial flexibility

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to support the group in achieving its strategic objectives."

The Institute of Credit Management has been critical of the major pharmaceutical groups, which it claims are generally poor at paying suppliers promptly. Christie comments that AstraZeneca's policy is to agree appropriate contractual payment terms with all suppliers, to ensure that its suppliers are made aware of the terms of payment and for the group to abide by those terms.

The impact of currency fluctuations also has to be managed, although AstraZeneca has benefited from the weakness of the US dollar as a net receiver of non-US currencies and first quarter results, announced in April, showed the steadily strengthening euro had made a positive contribution to group revenue.

All of these policies need to be fully visible, says Christie, so that the Chief Financial Officer and the rest of the board are regularly apprised of the impact of factors such as currency fluctuation.

"My role, as the Director of Treasury, is for the operational accountability of the global treasury function and the risks that it manages," he adds. There are 10 individuals in the team, all based in the Group's London head office off Park Lane and the team uses "a number of tools" to maintain regular contact with its offices worldwide, including periodic visits to the many countries in which AstraZeneca operates.

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