



FEEL BETTER

Tom Greene, group treasurer at Shire, talks about deals and life at the rare conditions specialist

Words: Liz Loxton / Photography: Louise Haywood-Schiefer

SHIRE IN NUMBERS

24,000

employees in nearly 100 countries

c.40

clinical programmes in the pipeline

180+

relationships with patient advocacy

\$11bn

in revenues for 2016 (taking into account the Baxalta and Dyax acquisitions)

CAREER PATH

2007-present

Group treasurer, Shire

2001-2007

Assistant group treasurer, Smith & Nephew

2000

Foreign exchange analyst, Seagram

1996-1999

Assistant manager, Deloitte

QUALIFICATIONS

AMCT (**2001**)

Chartered Accountant, ICAEW (**1999**)

BSc (Hons), Accounting and

Financial Analysis from the University of Warwick (**1996**)

Tom Greene, group treasurer at biotech company Shire, is a man with job satisfaction to spare. Not only were he and his team winners in last year's Bonds above £500m and overall winners of *The Treasurer's Deals* of the Year Awards, but he is someone who has enjoyed and learned from all stages of his career.

Greene's view of treasury is that it is intellectually stimulating, mission critical and a great stepping stone into related areas of business life. He cites investor relations, risk and pensions management as examples of the wider experience earlier roles have yielded. And the fund-raising element of his current role at Shire couldn't be more central to the business's strategy. Shire has a history of being highly acquisitive and its recent deals have provided him with plenty of opportunities on the transaction side.

As if this all weren't enough, Shire has a corporate culture and purpose – developing and marketing drugs to treat rare disorders – that he feels proud to be a part of. It is, in short, a career that has kept him hooked. “I don't think there's any job that's as much fun as treasury,” he says. “You're core to the business.”

Shire was founded around 30 years ago in Andover, Hampshire, by a group of entrepreneurs who sold a range of calcium products designed to help with osteoporosis. The products did well, and the company used the cash flow to buy other drugs, including an early treatment for attention deficit hyperactivity disorder (ADHD) in 1997. At the time, ADHD was not particularly well recognised, so the company was able to acquire the asset relatively cheaply. When ADHD started attracting more attention in the US, the product started to generate considerable profits that, once again, the company ploughed back into the business.

It is a pattern that has been repeated since. When Greene joined Shire in 2007, the company had one key product whose US sales generated around 60% of total sales. Today, Shire has a diversified portfolio across a range of fields, including immunology, oncology, rare genetic disorders and haematology. “It's a really interesting space. In a lot of companies, you'll feel good about what you do. That's particularly so with Shire,” he says.

Joining Shire – and making group treasurer of a FTSE 100 company at just 32 – is an achievement Greene is justly proud of, but one that wouldn't have been possible without experience accrued along the way, he says. After three years in audit at Deloitte, where he qualified as a chartered accountant, Greene joined Seagram, a family business that owned off-licence chain Oddbins, drinks brands including Mumm and Perrier-Jouët, and music labels Polygram and Universal.

Broadening experience

After a year, the family sold out and the London treasury was closed, so he moved to Smith & Nephew. As part of a team of just three at Smith & Nephew, his experience broadened considerably. “I was involved in all aspects of treasury. In addition to the core treasury work, the group treasurer was really good at involving me in strategic initiatives.” That broad experience included a secondment into investor relations to cover a colleague's illness, which Greene found invaluable. “The business knowledge required to talk to equity analysts is a level beyond that needed to talk to relationship managers at a bank,” he says. Investor roadshows were busy, but stimulating, with a great level of contact with the CEO and CFO. “For some of it you're just preparing a product bag or taking notes, but you're learning the business in depth.” >



THE WORK CHALLENGE I WOULD MOST LIKE TO FULFIL IS...

To see through the full integration of Shire and Baxalta. It is proceeding very well, but a huge amount of work alongside ongoing business. It will be very pleasing once it's done.

WHAT I LIKE BEST ABOUT TREASURY IS...

It's a fun job! I love the variety of the role, the interactions with people both internally and externally, dealing with technically complex matters and making a difference to company strategy and performance. While treasury is a great role in many companies, I like working for a company that is so focused on improving the lives of patients, in particular those living with rare diseases.

WHAT I VALUE MOST ABOUT THE ACT IS...

- The training and continual professional development that my team and I receive through attending formal training courses, the annual conference and other events;
- The opportunities for networking with other treasurers - it is valuable to be able to share ideas and discuss challenges with a broad network of peers; and
- The way the ACT represents corporates on treasury matters, particularly in relation to regulatory change. The ACT's influence is disproportionate to the organisation's size and it is highly respected in the financial community.

New pastures

After six years at Smith & Nephew, where he sat and passed his AMCT exams, Greene landed the group treasurer position at Shire. He was conscious that the move into the group treasurer's position would bring considerable expectation, but experience and qualifications count, and his new employer provided him with an encouraging environment. "Shire is growing phenomenally fast and, as a result, there is no shortage of things to do. That was true when I joined and it's true now. It is a really empowering culture. If you put your hand up, they'll say: fine, we're behind you."

At Shire, Greene and his 20-strong team look after core treasury work: funding, cash management, capital structure, FX, interest rate risk

management, treasury policy and banking, and credit rating agency relationships. He also takes care of global insurance matters and has responsibility for pension risk management, including the large defined benefit pension scheme Shire inherited from Baxalta, its 2016 acquisition. The company is listed in the US as well as the UK, so Greene looks after the American Depositary Receipt Listing, and he and his team also manage non-core equity investments.

Acquisition track

Four recent deals have particular significance. In 2014, Shire bought ViroPharma, which had a treatment for a rare swelling disorder, for \$4.2bn. In 2015, it paid \$5.2bn for NPS Pharmaceuticals, whose products include a treatment for short bowel syndrome, and in 2016 it bought Dyax, which had another potential treatment for a rare swelling disorder, and for which the upfront consideration was \$5.9bn.

Shire predominantly funded these deals through debt. To complete the Dyax acquisition, Greene and his team put in place a \$5.6bn term loan, which at the time was the biggest sole-term loan any company had arranged on a global basis since before the financial crisis. “We were able to do that because banks see Shire as an active company and one that will create opportunities,” he says.

The fourth deal, Shire’s 2016 acquisition of Baxalta for \$32bn, attracted the attention of the Deals of the Year judges and was more nuanced. Shire had obtained private credit ratings a few years ago as a contingency against having to access a large amount of capital at short notice, and given Baxalta’s price tag, it needed to make its expected post-Baxalta ratings public. “We went out to S&P and Moody’s, and went through an evaluation process. We wanted to fund as much of the offer as possible through debt while remaining investment grade.”

With a Baa3/BBB- rating reached, treasury put in place an \$18bn bridging loan, which covered the cash consideration of up to \$13bn, plus the \$5bn of bonds Baxalta had outstanding, which Shire might have had to repay on change of control.

Having announced the deal in January, Shire closed it in June and issued the bond in September. It didn’t want to go to the markets before the deal closed. “The risk

of the transaction not closing was very low, but there is always a risk. And if you raise the money before it’s required you’ve got the cost of carry. You have your cash earning a lower interest rate than you’re paying on your debt; it’s inefficient.”

Greene and his team wanted to use the US, the most liquid market, to refinance the drawdown. “That’s where we started. Shire is dollar functional, so, ultimately, we wanted US dollars.”

The US wasn’t a particularly good match from a maturity perspective, however. “The US tends to be a longer-dated market relative to Europe. Often companies will issue a 30-year US-dollar tranche. Shire is very cash-generative. While we have periodic acquisitions, we also have very strong free cash flow. We therefore wanted a shorter maturity, which we were able to achieve.”

“I’ve gone from managing \$3bn of cash to having \$24bn of debt”

He was unconcerned about raising the full amount. Positive investor feedback on the US roadshow strongly suggested that not only would Shire get the \$12.1bn issue away, but it could do it at a cheaper price than some of the banks were suggesting.

It’s hard to avoid the superlatives around this deal. By size, Shire’s bond – its debut – was the largest ever offering from a UK-listed corporate at the time, \$12.1bn compared to Shell’s \$10bn the previous year, achieved on a much higher rating. It was the second-largest debut issuance ever, after Apple’s \$17bn in 2013 – another great achievement. And no other company had issued as much debt solely going out to 10 years.

“In terms of the pricing, Shire’s seven-year bond had the lowest-ever interest rate for a corporate of our credit quality. The five- and 10-year bonds had the joint second-lowest interest rates. We raised a lot of money and we raised it very cheaply. Part of that was because interest rates were low. But on a spread basis, compared to other higher-rated corporates in the same space, Shire also managed to get the deal priced very cheaply, which I think came down to the quality of the marketing and the roadshow process,” he says. “The size and pricing were really what contributed to it being recognised as a fantastically successful deal.”

Market conditions and sentiment also played their part, he points out. The bond was issued before the US presidential election, and 2016 also saw good levels of interest in healthcare. “There was a lot of pent-up demand,” he says.

Nevertheless, there can be little doubt that the bond defied expectations in certain respects. Greene says he and his team listened carefully to banks’ advice, but came to their own decisions based on investor feedback and a dispassionate assessment of the market. “Subject to time and confidentiality, I’m happy to source advice from anyone,” he says. “My job is to take those inputs, filter out the biases and come to a view. Every bank recommended a 30-year issue and said we wouldn’t price our bonds as low as we did. A treasurer’s job is not just to mitigate risk, but to take an informed decision on risks. You can generally take more risk than your advisers might suggest.”

What comes after

A headline-grabbing deal draws a lot of attention, but arguably closing the deal is just the beginning of the hard work. Post-deal integration is long since under way at Shire and has to be carried through with care and attention. “Everyone likes the excitement of a big transaction, but the integration needs to be done well, too,” he says.

Shire committed to reducing its leverage to three times or below by the end of 2017 and has been working country by country to build one common infrastructure. “In most countries we have two legal entities, two accounting systems, two cash sweeps and, ultimately, we want to get to one. But the work actually goes up in the near term before it comes down.”

The Baxalta deal and its aftermath, however, has refreshed the company and brought considerable quantum. “Shire was in a lot of territories, but Baxalta expanded our international presence. We’re now in almost 100 countries and FX and interest rate risk management have become big parts of my role. In my time at the company, I’ve gone from managing \$3bn of cash to having \$24bn of debt.”

The job is very different to the one he took up 10 years ago, but that just adds to the charm. “What I love about the role is that it’s so varied. It’s that that keeps the job fresh.” ♦

Liz Loxton is editor of *The Treasurer*