

Integrated Pharmaceutical Services (IPS)



“In IPS we saw a tremendous opportunity to take a business with exceptional entrepreneurial spirit and turn it into a national leader in the supply of bespoke medicines. Our team at Elysian had the experience to assist management in building an organisational structure and recruiting the right team, capable of realising their ambition for the business”

Dr Chai Patel, Chairman

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Investing in a Scalable Platform to support Long Term Growth

Background to the deal

In April 2010 Elysian Capital took a majority stake in Surrey based business Vertical Pharma Resources Ltd, which trades as Integrated Pharmaceutical Services (IPS).

IPS was founded in 2001 by Ashok Patel and had grown into one of the UK's leading suppliers of bespoke medicines or “Specials”. These are standard drug compounds adapted to meet the needs of individual patients for whom there are no existing suitable licensed products available, for reasons of formulation or presentation e.g. an allergy to conventional ingredients or dysphagia (difficulty in swallowing) requiring a liquid rather than tablet. Companies manufacturing Specials are regulated by the MHRA and require a manufacturing license for their facilities.

Elysian was introduced to IPS through its Yorkshire office and IPS's Newcastle-based advisers in a very targeted process, given the challenges of the opportunity.

IPS had grown rapidly due to excellent quality and service with a loyal customer base of independent pharmacies within the M25 who had come to the company through word of mouth, rather than through a salesforce.

Elysian could see the opportunity to roll out the business, which had a low cost manufacturing base, through building a sales and marketing function and had the experience to support Ashok to put in the systems, processes and infrastructure needed to take the company to the next level.

Market challenges

The Specials market underwent significant change with the introduction of a new pricing tariff by the Department of Health in November 2011. This reduced the value of the market by c30% although the increased transparency in the market would long term benefit quality suppliers such as IPS.

This was a challenging environment for all Specials companies but Elysian supported the management and continued to invest in long term projects.

“The fact that the Elysian team had had industry roles, managed teams and faced some of the management challenges we did and ‘had been there before’ was very valuable. The Elysian members of the board weren't just focused on the numbers and finances. You can't put a price on that”

David Jones-Owen Finance Director

“Elysian has made a significant contribution in making IPS as it is today. IPS has developed from a small family owned company to a larger more robust company and we now have a strong scalable platform to develop it further.”

Ashok Patel, Founder

The Transformation

Chai Patel and James Cunningham of Elysian worked closely with Ashok and the company to transform it into a national player with a scalable platform, increasing the number of employees from 19 to 54 at the time of exit. All bank debt was repaid ahead of schedule.

Broadened customer base, increased volumes

A Sales and Marketing function was created including recruiting a Sales and Marketing Director, development of a national salesforce and new branding to ensure a consistent company image. This enabled IPS to broaden its customer base from independents within the M25 to include major multiples and buying groups and accounts throughout the UK. As a consequence, volumes and market share increased significantly.

Scalable IT

On acquisition, IPS had separate IT systems for Finance and Manufacturing. The company invested in market leading IT that provided long term scalability:

- Implementation of a single ERP IT system across the company with a single database for finance and manufacturing
- Development of a new website including a market leading online solution allowing pharmacists to place orders, track their progress and access account history.

Manufacturing

IPS invested in a new laboratory within the existing site which increased capacity five times removing any constraints for growth over the medium term.

Finance

Prior to acquisition the scale of the company had not needed a finance function but this was a necessity to support the growth. The company recruited a Finance Director who built a suitable department and introduced appropriate controls. Improved HR processes including appraisal systems were also implemented.

The Exit

The Fund disposed of its interests in IPS, on 19th November 2014 to a secondary buy out led by Ashok Patel.

“The Elysian team had an in-depth understanding of our sector which allowed them to understand the requirements of the management team. They worked closely with us to help develop a clear strategic vision for the business, to secure the growth of the company and create value. I liked their professional, can do and supportive approach.”

Bela Patel Operations Director