Renewed Focus for Healthcare and I-Banking: A Conversation with Jim Pirouz of SunTrust Robinson Humphrey

By Kelsey Matherne and Dan Morgan

We sat down with the KFBS ’98 Alum to talk about the impact of COVID-19 and the current uncertain economic climate, as well as how the investment banking industry continues to respond. The following is an abbreviated synopsis of our discussion, edited and synthesized by the Healthcare Club. Opinions and commentary in this document do not reflect the official policies or views of SunTrust Robinson Humphrey, and should not be interpreted as investment advice or credit analysis.

James Pirouz is the Managing Director and Head of Consumer, Retail, and Healthcare Investment Banking at SunTrust Robinson Humphrey. Jim has served in this role since 2009 and is a proud UNC Kenan-Flagler Alum from the MBA Class of ’98. Jim describes his responsibility as relationship management: delivering M&A, debt, and equity solutions to corporate and private equity clients according to their unique needs. As Managing Director, Jim oversees a team of 40 in Healthcare Investment Banking (including 9 managing directors, each specializing in a subvertical of healthcare) separate from his responsibilities with the Consumer and Retail Investment Banking practice. One half of the healthcare team works with healthcare services across the provider and payor spectrum, while the other half specializes in life sciences broadly speaking. Jim is a member of the Center for the Business of Health Leadership Board, and a new member of the UNC Kenan-Flagler Board of Advisors.

Healthcare Club (HC): How has the COVID-19 situation affected financing in the healthcare sector?

Jim Pirouz: Given the uncertainties of the current capital markets, liquidity is a concern for companies of all sizes. If companies suddenly become significantly less profitable (i.e. providers temporarily canceling elective surgeries, or med-device companies shutting down certain production lines), they would want to create reserve liquidity in the event that the current economic situation becomes a prolonged economic blackout.

In addition to cash on hand, many companies have revolving lines of credit that they use. In times of crisis, some companies may choose to draw down this revolving credit partially or completely, and deposit the cash into checking accounts at the same bank or set of syndicate banks. Fortunately, unlike the recession in ‘08/’09, banks are well capitalized and in a position to support the liquidity needs of their clients.

The healthcare space is seeing a variety of challenges. For example, in the case of the acute care sector, many hospitals need to have cash on hand to pay their expenses, but are having to halt some or all elective and higher profit-generating surgeries in order to serve the emerging needs of COVID-19 patients. Likewise, on the life sciences side, we're seeing pre-commercial biotech companies halting R&D operations; it's not always possible to continue a clinical trial during times of social distancing. In addition, during times of highly volatile equity markets, it can be more difficult to tap the equity markets for more capital as investors go into a risk off mode.

HC: How can the finance industry help mitigate the negative impacts of COVID-19?

JP: In a non-COVID-19 situation, if a company couldn't honor its financial commitments, banks could take preventive measures to work with clients to assist in modifying loan provisions or, if needed, enforce certain rights including having the ability to call a default and either work on restructuring or taking equity through bankruptcy. In order to help mitigate the negative economic impacts of COVID-19, banks will need to anticipate that companies may be unable to file their financials, or may have cash flow shortages which lead to breaches of financial covenants or missed interest and amortization payments. Banks will have to determine whether a company has extenuating circumstances due to this crisis and how they can be a solution to the economic crisis stemming from the virus.

Broadly speaking, the banking industry will continue to lend to companies, big and small. In the long run, banks should have an open mind to supporting enterprises that are looking at cures, devices, and other tools that are needed in a pandemic scenario, and help finance their efforts where appropriate.

HC: How have COVID-19 protective measures been introduced for you and your employees?

JP: Consistent with most of corporate America, our actions evolved. The New York and San Francisco offices transitioned to virtual first, and other offices transitioned to work-at-home in locations consistent with local and state government guidelines. We're all working from home now, across all states. All business travel has been cancelled for April, and we use conference calling technology as well as Skype widely for internal and external meetings.

Investment Banking is still a people business. Critical processes like due diligence can't be automated or done remotely, so across the industry many new debt, equity and M&A deals are on pause. In addition, in the case of both debt and equity, it's very difficult to price new issues due to the extreme volatility in the markets. We are hoping for a V-shaped recovery rather than a U or L shaped recovery, but it is too soon to tell.

HC: Do you have any advice for MBAs entering Healthcare or Investment Banking at this time?

JP: All of us in the healthcare business think that once we come out of this period – 2 months, 6 months, however long it may be – healthcare as an industry will have a renewed focus in a positive way. I anticipate that private equity will be more interested in healthcare. It will be viewed as even more critical, as the economy transitions from a cost-conscious one to a more resilience-oriented one.

Continuing to offshore development and production can cut costs, but we may see some manufacturing coming back to the US in order to prevent the risk of supply chain dislocations like we're seeing now. The provider sector will likely also have renewed support. It's clear now why hospitals are so badly needed, and should be allowed financial incentives to operate.

During these unnerving times, I encourage MBAs to show resolve and patience. For MBAs entering healthcare or investment banking: be encouraged that there will likely be more opportunities rather than less as we exit the era of COVID-19.