

On Tax—Tom Neylon of Endo Pharmaceuticals

Len Teti: Welcome to On Tax—A Cravath Podcast. I'm Len Teti, a partner in the Tax Department of Cravath, Swaine & Moore, a premier U.S. law firm based in New York City. On each episode of On Tax, I talk to professionals in the Cravath network about their life and work in the world of tax. We focus on the human side of tax law, highlighting the people, connections and stories that make the space such a fascinating and dynamic area of practice. I hope you enjoy this episode.

Today, we're joined by Tom Neylon, the Senior Vice President, Tax at Endo Pharmaceuticals Inc. Tom, welcome to the podcast. Thanks for joining us.

Tom Neylon: Thanks, Len. Appreciate you having me.

Len: It's great to have you here. So, Tom, tell us about your background in the tax law.

Tom: I started out an accountant undergrad and started doing the accountant route. I had plans right after college to go to law school and always had a preference to do tax work, and then graduated and decided—you know what, I didn't really want to go into further debt. So I worked for a while and got my certified management certification, and at that time, I looked into a local law school here in Delaware and started attending there, back in August of 1997. And at that point in time I was working in a local regional public accounting firm, and that's how I started.

Len: So when you entered law school, I guess by reason of your accounting background, you sort of knew that you were going to gravitate towards tax law?

Tom: I think I honestly kept it open, to some extent, and I always liked the tax side. From an accounting perspective, I always was drawn to tax because I thought that's the area where I could provide the most value.

Len: I see. And so, when you were graduating from law school, how were you thinking about what kind of jobs you wanted to have in tax?

Tom: I had started, when I was in law school, a job at what is now AstraZeneca and was working there enduring the rigors of law school. They told me when I joined, "Oh, you know, we just acquired these cancer treatment facilities in Beverly Hills, California, but don't worry. You won't be traveling." And I was in law school like three, four nights a week. So I thought it was a little weird when I showed up my first day and I had my first two trips already planned for me.

My first eight weeks on the job, at that point, it was still Zeneca—it was pre-AstraZeneca merger. I was in Beverly Hills for six of those. As many people know, with law school, you're limited in how many classes you can miss, so I would fly out on, like, a Tuesday night red-eye flight and then work Wednesday, Thursday, Friday—fly back on a red eye so I would make class on Saturday morning.

Len: Wow.

Tom: Of my first eight weeks at Zeneca, I was out in California for six, including two over the holidays, doing the two year-end tax provisions.

Len: Sounds rough. When I started as a summer associate, one of my colleagues was asked to bring their passport, and they were getting sent overseas on some trip right away. And that sounds fairly glamorous, but I can imagine that it's kind of a strain. What kind of work were you doing out there on the West Coast, and what do you remember about those first tasks?

Tom: I was doing tax provision, like year-end financial accounting for taxes, and I remember two things pretty clearly. I think it was the Friday—I was supposed to leave that Saturday to go out there. It was my second trip, or maybe my third trip, and I was doing the year-end work. I was going to be out there for about 12 or 13 days

and I remember sitting in a conference room with our head of tax and our federal audit manager, and they were just going through things on the company that we'd just acquired.

I think it was for me and I was so starstruck and kind of awestruck that I sat there, and I wasn't taking any notes. I was just trying to digest it and finally, after about—it had to have been—45 minutes, the director says to me, "Have you taken any notes?"

Confidently as was possible, I was like, "I got it. I got it." And I got out there and I'm like, "What am I doing?"

Len: Fake it 'til you make it.

Tom: Absolutely. I think I defined that. So then, I came back, and we had a legendary tax audit partner from KPMG. It was a Saturday late afternoon, and I was on the red eye, flying back on Saturday night. I got a—at that time, there was no text, so it must've been an email or even a phone call saying, "You need to be in the office at," you know, I was flying the red eye, so it was 11 o'clock. I was arriving back in Philadelphia at 7, or something like that. "You need be in the office at 10:30 because this," I think he was the most senior tax partner, audit partner, at the accounting firm—"he wants to meet with you for an hour to review the provisions."

Len: 10:30 on a Sunday morning.

Tom: Oh, after a red-eye flight, after being out in California for 12 days. I'm thinking, "What did I get myself into?" So at that point in time, I was definitely thinking maybe tax isn't the way, maybe I'll do something else.

Len: Do you remember how that meeting went?

Tom: I think I was too either tired or exhausted to be scared. So I think I was just . . .

Len: Loose.

Tom: . . . pretty carefree, loose, and he came in. I remember him telling the director and the director saying to me, "Hey, you must've really impressed him because he said he didn't have any questions, any follow-ups." And I was like, I just didn't make any sense and he didn't even want to pursue it any further.

Len: That's great. So do you remember when you started getting more comfortable? Like, what that felt like, when you started getting tasks that you'd done before, or you were starting to see things a couple of times?

Tom: Yeah. When I finished law school, Syngenta was created. It was a spin-off entity. AstraZeneca had spun off their agricultural division. Novartis had spun off their crop protection agricultural division, and they both merged together to form Syngenta.

So they asked me if I would wanted to stay on and I took on a role, like a manager, tax planning—and it was a great time for me. It was Swiss-owned, where I was used to working in the U.K.-owned AstraZeneca world, so that was a new thing for me, and I was very interested. And it was like a start-up company—if I could imagine what that would be like—with capital funding. We had a lot of interesting projects. Different than a lot of other U.S. or other European companies. The Swiss model for taxes is that they report to the general counsel.

So I was able to form a really good relationship with our global head of tax, who was a Swiss tax attorney and our global general counsel, and his agreement was—"Listen, we have the opportunity. Do whatever planning, structuring. Do whatever is going to set us up in the best position for achieving the objectives we want to achieve: corporate objectives, tax objectives." So it was great.

Len: What's interesting about what you're saying is, this was a company that's very well resourced—got lots of money, lots of capability, lots of assets. But, as you said, it's sort of a startup because it's a spin out. It's a combination. So in terms of a corporate culture, in terms of bringing groups of people together and creating a dynamic, it was brand new. So you got to, basically, write on that blank slate in the tax group.

Tom: Absolutely. So the only tax people who came to Syngenta from the legacy companies were for people in the U.S. and I think one in the U.K., and then they created a whole new group in Switzerland. We were setting our course as we went. It was a good time.

Len: I want to talk about your time in Basel now because, just jumping ahead in the story a little bit, when you were at Novartis and we were working together, we took several trips to Basel. One morning, you asked me if I wanted to go on a run. So, fine. So we go out on a run, and I think we started in Switzerland, but over the course of the run, you had me running in France and in Germany and I said, “This guy really knows this city well.” And it was then that you told me that you had lived there for several years. So why don’t you tell me about, in your Syngenta days, how you ended up in Basel and what that was like.

Tom: Yeah, I think the story is correct. But I think maybe I don’t know if my comment was correct. I think I pretended that I knew where I was going, and we ended up in those three countries.

Len: Right, “This is Germany, we have to turn around.”

Tom: Yeah, I said, “You don’t have your passport on you, by any chance, do you?” So Syngenta was formed in November of 2000 and then, as part of my training, I went from the manager of tax planning, research work, to, you know, I always kept a handle on some of the reporting. Didn’t do a lot in the compliance, but then we got the knock on the door from the IRS. We were situated right next to AstraZeneca’s U.S. headquarters. So they said, “We picked Syngenta. We want to select you for audit.”

That was a great process for me because we were able to kind of say, “OK, we’re going to do it a little different. We’re going to take a different philosophy than AstraZeneca had.” And I think that was the underpinning of some of my career, because we took a concerted effort to be really transparent in our discussions with the authorities, to really respect them and to want to engage in a dialogue and discussions with them. A couple years after that, I was approached by our global head of tax. And one of the things that was really interesting when you work for an, especially for a U.S., inbound, there’s always this kind of tension, we’ll say, between your position in the U.S. subsidiary and the headquarters. And I was offered the opportunity to go to our headquarters to take on some projects, a leveraging project—work on the M&A world.

But generally, just to be engulfed in the corporate world, understand the culture, really get to know the people, and it was a tremendous experience for me. I think it’s helped me, in terms of my career and understanding because I always say, “When you can sit across from somebody, even if it’s a colleague that you work with, you get to understand them better.” You feel like you’re sitting in their shoes. The ability to gauge that and develop their trust is great, and especially colleagues who work for U.S. inbounds who have a relationship. One of the toughest things when you’re in an inbound situation is, “Oh, how do you really communicate and how do you get your points across and communicate effectively to your foreign parent?”

Len: It’s interesting that you spent this time in Basel; you got to know these people. They got to trust you, you got to trust them. But coming back to the U.S., as you say, sort of going back from the parent to the subsidiary or the child, you still had a lot of trust built up because of your time there.

So they could really trust your judgment when you came to them and you said, “Hey, let’s do this new process.” “Well, what is this new process?” “Oh, we’re going to be a lot more open and transparent with the IRS.”

Tom: Yeah.

Len: But your judgment is something that you developed, number one, and that you showed them, and you got them to trust—and that’s important.

Tom: Yeah, absolutely. I mean, there’s always going to be some level of questioning, and I always encourage that. But you don’t have to jump through as many hoops, and you don’t have to do as much convincing.

So that’s been great. Whenever you go to tell somebody, “Oh, we’re choosing to be under continuous audit because here’s the benefits we can get: the certainty, the real-time audit and the deliverable on that side.” When you think about it from a non-U.S.—even a U.S.—person to say, “By the time we file this tax return, we’ll have gotten an acknowledgement and acceptance of the tax return. So it’s done and it’s been audited.” And that seems like a pipe dream.

Len: And you have certainty and you can go on with your lives.

Tom: Yes, and we were able to build those concepts and kind of adapt that in different pockets around the world. So you've got the whole group thinking in terms of, "What if? And what could things look like, and how could we take this forward? How could we be transparent? How could we build that into all of our concepts and all of our processes?"

Len: So you and I first met in 2016, when you had moved to Novartis, which was a client of ours—still is—and we, obviously, worked very closely together on the Alcon spin-off from Novartis in the subsequent years. But I'd like to talk to you a little bit about how you decided, after a very long time at Syngenta, to think about going to another company and what that process was like. What were you looking for, and how did you eventually make that decision to move?

Tom: Some changes happened in Syngenta, and I was leaving to go to Novartis. Syngenta had recently finished discussions and signed a deal that they were going to be purchased by ChemChina, which was a Chinese state-owned entity. And honestly, I felt like, for my career, I had really taken a lot of pride and pleasure in terms of working for a Swiss-based multinational—part of building the relationship, understanding the culture, and working with them.

So that's when the opportunity had come along and Novartis had a special role carved out that they needed for their U.S. organization, but it was really a dual global and U.S. role because they were very acquisitive, very transaction-based, as you mentioned.

Len: Right.

Tom: Whether it's acquisitions, the Alcon spin, a number of divestments. Another big area that I took on was 2016 going into 2017, and the whole talk was U.S. tax reform. So I got to spend a considerable amount of time building relationships with the Novartis government affairs group down in Washington, D.C. Honestly, going into that process, I never thought I would enjoy it, but it's one of those things where maybe the lesson is don't count anything out, because it's probably one of the top three things I've enjoyed in my career is going there, meeting staffers—sometimes meeting the senator or the congressperson—and talking to them about the issues and the impacts that certain ideas or provisions could have on your company. It makes you believe in the process. I'm not trying to be too philosophical, but they do want to know and they like hearing real-life examples of impacts that certain changes in tax law or provisions could have on companies.

Len: That's fascinating. One of the things that you mentioned about Syngenta was dealing with the mothership in Basel when you were working in the U.S. and, of course, when I was working with you on the Novartis transaction, I saw that you got along so well with the people in Basel, and I want to have you talk about that. But I will say, from the perspective of an outside counsel to a client, in a situation like the one we were dealing with, on a huge transaction that's going to take a couple of years to complete, that is itself a challenge, right? Because your client, of course, is the company. But your client, in real life, on any given day, are individuals. And sometimes I'd have to talk to the folks in Basel about what was going on in this U.S. tax stuff, and sometimes I'd have to talk to you about the folks in Basel and what they were trying to accomplish on their Swiss tax side. And it's a delicate situation, but I really enjoyed working on that transaction with you and with the team in Basel, because I think we all really respected each other and got along quite well. I didn't see any of the, sort of, dynamic or hierarchal kind of thing that you say, I think rightly, can occur in some organizations.

Tom: Yeah. That was probably one of the top three most gratifying—we had our times. It was a huge transaction. It was extremely complex. We did a number of different iterations with yourself and the team, and the team in Switzerland, and I think it was a time where we were able to leverage the skillsets that each of us, as individuals, brought.

Len: Right.

Tom: I always tell people I don't consider myself anywhere near the smartest person in the room. I think one of my strengths is the ability to hear and have something complex explained to me. And I think that's where yourself and Steve, the Cravath team that I came in contact with, really do a great job, and I think this is where you've developed the trust is—a great job of taking complex kind of items and boiling them down.

So through the chain of communication, we were able to take a very complex U.S. tax principle or concept and relay that to a way where somebody who's not a tax person—is a corporate person in Novartis Global—could understand it and we could get them comfortable with that idea. And that's a testament to everybody, especially you and Steve, who was involved of our ability to do that.

Len: Well, I appreciate that very much. You've touched on a theme that's come up on a lot of these podcasts, really starting with Steve's in the first episode, about being able to communicate complicated stuff—the tax law in certain areas—in a way that is not just understandable but actionable: “What do I do with this information?” And we pride ourselves on that. We train it. One of the things I remember most about the early part of that transaction was we had a day when we brought, I think, you to our offices in New York.

We all came to our offices at Cravath, and we just spent a day talking about, “This is how spin-offs work”; “This is what the tax rules are”; “This is what the securities law rules are going to be”; “This is what the process for dealing with the IRS is going to be”; “These are some issues we're likely to encounter.” And it's really great for us to be able to dive into a particular area that we deal with frequently and make sure that the clients are well grounded in it. Because we know that that will—down the road in the transaction, right—that will help everyone to have the client be able to go back to the organization and make sure that everyone who we're not talking to has an understanding of what's going on.

Tom: I remember that day very clearly. I consider it my “355 for Dummies” or something. And again, back to my comment, I'll be the self-professed never the smartest person in the room. If I am the smartest person in the room, that's saying something. So, I think it was at 2:30, 3 o'clock, it had just hit me, and I was like, “Now I get it. I understand it.”

You're absolutely right, because your role was to—and you guys do this very well—help me understand it. But not just help me understand it, it's help me communicate it in a way where others can understand it. And that's one thing when I think about people coming up in their tax career, and I spend a lot of time coaching people younger in their careers. Unfortunately, I think coming up in tax, or any kind of profession that's a specialist profession, we think we've made it when we can talk in a way where people don't understand something.

Len: Yeah.

Tom: I think if we look at it a little differently, we've made it or we're on the way to making it, when we can talk in a way where everybody can understand what we're saying.

Len: One of the things Steve used to teach me when I was an associate, he used to say to me, “Your job, Len, is to make me look good. My job is to make the client look good.” And I've taken that with me. If we put you in a position to be able to take information and advice back to your organizations, it's just going to help. It's going to make you look good and it's going to earn credibility and confidence, and that's something that I think young lawyers observe but don't really get to internalize until they're in a position to do some of these things.

So Tom, that was a huge transaction which closed in April of 2019 and then, by the beginning of 2020, I think actually right before the pandemic, we started talking when you had moved to Endo. Endo is another U.S. inbound because it's an Irish-parented company. Tell us about your decision to leave Novartis to do this, and tell us about this role that you have at Endo and how it's been going.

Tom: Right. I started at Endo in February of 2020. Interesting opportunity because I'm a local Delawarean, never left Delaware other than my assignment to Switzerland, traveling over there, but never officially lived anywhere outside of Delaware. So I was approached by a friend who said, “Hey, I don't know if you're interested, but

Endo's looking for a global head of tax." And at that point in time, I probably knew that Endo had done a restructuring and had become Irish-headquartered.

I said, "I'd be interested to see what they have to say." Went in and met with, I'd say, the finance leadership team, and I walked away from there and it was a very powerful conversation. Had a full day of meetings, and I walked out of there and I remember making a phone call and I said, "I can see myself working there."

Just—I believed in the story, I believed in the mission, I was ready for that next challenge within my career. It was an opportunity to go back and work with a team again, which I had missed for my Novartis years. It's one of those things where you don't know how much you enjoy a particular part of your role until you're not doing it, and one thing that I really missed was working as part of a team: helping, coaching, embracing transparency, and that's what Endo has afforded me. We have some challenges in terms of some of the positions and some historical matters, but we're working through those.

So, when I started there, I was in the office for just about three or four weeks before COVID hit and, you know, not even that. My first day in the office, I get a call from our prior CFO, who's now our CEO, at 3 o'clock in the afternoon. He was in Ireland and the board had just named him CEO, and he called just to let me know and told me who the new CFO was going to be, who I had met on my interview day. And within a day, I had a new boss and then, within three or four weeks, I had a whole new team that I was working remote, but the team has been great—allowed me to have some time to think, has helped me, onboarded me. I think we've done a lot of growing together, from managing some of the audit situations, getting a handle in terms of our structure and working through financial statement disclosures and those type of things that I had been involved with, but never kind of taken the lead on. It's been a great learning experience, which I'm really looking forward to continuing.

Len: I wanted to talk to you about this, in particular, because now you've had several different roles and several different types of teams. The pandemic, itself, brought challenges to leading a team, but you're in a position now where you have a team, the team was there when you came in. I've now worked with them and it's a terrific group of people, but tell me about how you think about what you want your team to be like, how you want it to function, what kind of team environment you want to create and how you've gone about doing that in this new role where you can shape it.

Tom: Yeah, so one of the things I always like to do on a team, obviously I equate a lot of things back to an athletic context and sporting context, so I encourage a team that leverages each other's strengths. I encourage a team that is open to questioning and challenging from a perspective of wanting to grow, wanting to understand because I think that enables the leveraging and giving people the ability to kind of learn new areas, because that's one thing that's been instrumental in my career. There's a lot of things that I probably walked in to say, "Ah, I'm not going to enjoy this," using the lobbying example.

But that was one of the most fulfilling times of my life and things that I've ever done. So, it's really a match because that's a concept and a principle that I try to apply and coach throughout the team, but the team has really taken to that as well.

Len: I've seen it. It's a terrific team. So the athletic metaphor is actually one that I wanted to get into now, at the end of our episodes when we talk about what we like to do outside of tax. I know you have a very unusual feature of your house—a basketball court. Why don't you tell us about that?

Tom: Yeah, I'm a big sports nut. One of the things when I bought this house in 2011, I had two boys at that time. I had a 7-year-old and a 5-year-old who were, by nature, going to be involved in athletics. So I had a friend who had done this at his house as well, and I said I'm going to build a basketball court.

So I saw our friend who did this, and he said, "Listen, get into the house, settle in for a little bit and then we'll talk." So, sure enough, saw him again six months later and I said, "I'm serious about doing this." So I built this finished, indoor basketball court, smaller than a full regulation, but it's 65x45, so just about 3,000 square feet, a full-court basketball court.

So it's grown from there. My boys played for a number of years. My oldest is going to play in college next year. My brother and I started a local AAU travel team at one point in time.

Len: Wow.

Tom: I had an organization of about 12 teams that were under my umbrella.

Len: Wow.

Tom: And organizing practices and tournament schedules, and everything else, I look back and I don't know how we got so much done, but I enjoyed it. We had kids from so many different schools and I get to see these kids now. Our first group is just graduating from high school and they represented like six or seven different schools. They're still some of my son's best friends. My brother and I have a place down in Delaware Beaches and we have a couple of the kids from the team coming down with my boys.

And it's just a great experience and that's one thing that I've learned. I was the third of four boys. I think developing those friendships helps you develop who you are as a person, and I think sports are a great way to do that.

Len: It's amazing. Your boys must have really fond memories of growing up with a basketball gym in their house and their teammates coming over. That's great.

Tom: Yeah. My oldest was a little reluctant about bringing friends over, and he would say, "Oh, Dad, they're going to think we're rich or something," and I said, "No, your dad's not rich. He's just weird. Nobody else would do this."

Len: "He's cool. Your dad's cool." That's amazing. Well, Tom, it's been a pleasure to have you on the podcast. It's a treat to work with you and a treat to hear about your experiences. Tom Neylon, Senior Vice President, Tax at Endo Pharmaceuticals. Thanks so much, Tom, for joining.

Tom: Thank you, Len.

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