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More and more biotechs are worth less than their checking accounts



By [Damian Garde](#)^{2 3} June 1, 2022



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Biotech's 2021 swoon has settled into a 2022 malaise, with the closely watched XBI index now down 40% for the year. That has pushed more than 200 public companies into the unwanted territory of running a business that's worth less than the cash they have in the bank.

The analysts at Evercore ISI trawled the numbers to find the industry's most dire cases: companies whose enterprise value — which is market cap plus debt and minus cash — is \$100 million or more below zero. There are about 30 of them, and when you add it all up, these companies have about \$14 billion in cash and a cumulative market cap of \$8 billion, according to Evercore ISI.

The companies with the reddest numbers include Galapagos, with an enterprise value of negative \$1.4 billion, followed by Kodiak Sciences, Connect Biopharma, Graphite Bio, and Adagio Therapeutics, each of which is worth less than \$200 million below zero.

If you're a shareholder, that suggests there's a lot of money that could be put to better use than propping up a struggling biotech. Simply liquidating all those companies would generate a roughly 75% return on investment, which would go a long way toward reversing the fortunes of [biotech's many downtrodden hedge funds](#)⁷.

But actually extracting cash from foundering firms is easier said than done, both because management teams are loath to face the music and because actually winding down a public company is an expensive proposition.

According to Evercore ISI's Josh Schimmer, relief could come from reverse mergers, as private companies might look askance at expensive IPOs and off-trend SPACs, deciding instead to buy up one of biotech's many value-negative hangers-on. The question is whether and when the industry's bottom-dwelling public

companies will feel the pressure to sell.

About the Author



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