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Case Study: Acorda Therapeutics Inc.

The EDF-X Early Warning System flagged Acorda Therapeutics as an elevated credit risk five years before its bankruptcy

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EDF-X Spots Deteriorating Financial Performance Before Negative Credit Events

A rising debt load left Acorda Therapeutics vulnerable in the highly competitive biotech market, eventually leading the firm to file for Chapter 11 bankruptcy protection on April 1, 2024. The firm, which markets medications to treat multiple sclerosis (MS) and Parkinson's disease, has faced a series of legal and competitive obstacles starting in September 2018, when several key patents related to the MS drug Ampyra were invalidated. Investors fled and Acorda's share price plummeted, leading the firm's forward-looking probability of default (PD) to increase ten-fold. Within the EDF-X Early Warning System, when a company's PD crosses its peer-based trigger, the likelihood of a negative credit event significantly increases.

Acorda changed its strategy after the U.S. Supreme Court declined to review the 2018 ruling. With Ampyra now facing significant competition from generic manufacturers, the firm focused on its Parkinson's treatment, Inbrija. However, the transition required a companywide restructuring and headcount reduction; roughly 25% of Acorda's workforce was let go. While the Inbrija product was a success, it was unable to replace the lost Ampyra revenue, leading Acorda to spin off its manufacturing operations in 2021, although it continued to market the medication.

Against this volatile backdrop, the company's financial performance unsurprisingly deteriorated. Sales fell by nearly 40% between 2019 and 2023 while Acorda's debt-to-asset ratio increased from 0.3 to 1.6. With few options remaining, the firm looked for an acquirer, ultimately coming to terms with the German firm Merz, who agreed to purchase Acorda's assets unless a more competitive offer materialized. With a stalking horse bidder in place, the company filed for bankruptcy in April 2024, five years after initially being identified by EDF-X as a heightened credit risk.

