

WEAK OPERATING RESULTS LEAD TO BANKRUPTCY

BUYER:
AKORN INC.

SECTOR:
PHARMACEUTICALS

Akorn, Inc. is a specialty pharmaceutical company that develops, manufactures, and markets generic and branded prescription pharmaceuticals including ophthalmics, injectables, oral liquids, topicals, inhalants, and nasal sprays. Akorn markets its products to pharmacies, physicians, hospitals, and government agencies.

RED FLAGS

-  Issues raised regarding production, quality control, and drug testing practices, which led to the dissolution of a proposed merger and an investigation and a warning by the FDA
-  Declining revenues

-  Operating & net losses
-  Insufficient liquidity with restrictive debt covenants
-  Inadequate cash flow

FINAL STRAW

The company continued to report declining operating results. There were significant concerns around their quality control procedures, which led to the dissolution of the proposed merger. Ultimately they defaulted on their loan agreement, forcing the company into bankruptcy.

CONCLUSIONS

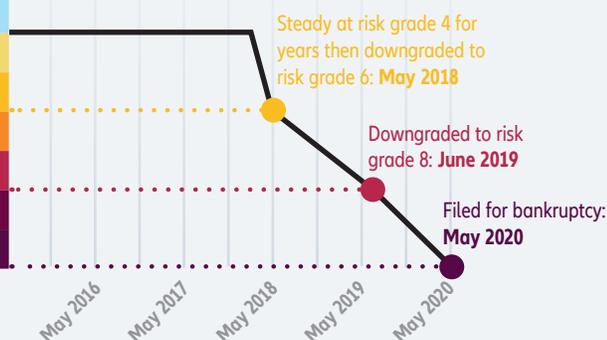
Weak operating results and the debt structure were early red flags, leading to reductions in coverage in the months leading up to eventual bankruptcy. Euler Hermes took action when the proposed acquisition was dissolved and continued to see deteriorating operating results. A full risk withdrawal was recommended almost a year before the bankruptcy, helping our customers exit well ahead of the bankruptcy and avoid loss.

Akorn has secured some debtor in possession financing and is resuming operations. Akorn's ownership has been taken over by the debt holders and they are looking for a buyer while in bankruptcy.

RISK RATING

| EH Risk Rating | Generic Description |
|----------------|---------------------|
| 1 | Exceptional |
| 2 | Excellent |
| 3 | Strong |
| 4 | Good |
| 5 | Average |
| 6 | Watch |
| 7 | Substandard |
| 8 | High Risk |
| 9 | Uninsurable |
| 10 | Failed |

Euler Hermes' 1-to-10 risk ratings are reliably based on multiple sources of information and crosschecked thoroughly by our team of expert risk underwriters. **This chart shows how the risk rating for Akorn Inc. progressed leading up to its bankruptcy.**



Last updated September 2020