

Case study

Unique valuation approach that produced differentiated research with greater investor engagement

Background



- A US-based firm wanted to establish valuations and price targets on gene-editing companies with only preclinical products
- Traditional valuation approaches such as the net present value (NPV) analysis and comparable company analysis could not justify the prevailing share prices
- The companies had to be valued not only on the basis of known factors such as collaboration revenue, but also unknown factors such as product and collaboration revenue from future therapies

Crisil Integral IQ solution



- The Crisil team quickly discovered that the companies did not fit traditional biotechnology valuation frameworks as they held intellectual property (IP) licenses that could be used to create new pipelines
- As gene editing technology advances, these pipelines should be able to target additional diseases with multi-gene defects. In the near term, the companies may continue to form collaborations with pharmaceutical and biotechnology companies looking to buy into the gene editing space
- The present value of these pipelines and collaborations was the value of the gene editing platform
- The team identified the listed companies that had a history of being front-runners in innovative technologies such as monoclonal antibodies, RNA therapeutics and CAR-T. For each front-runner company, the team traced the major events in the lead product candidate lifecycle. The team then calculated the market-adjusted share price movement and the market value addition associated with each milestone event
- A comparison across the set of companies showed consistency in the dollar value of the market value addition associated with each event category
- The team then shortlisted the most relevant companies from the data set and used the data to impute the average market value addition associated with progress of the lead candidate. The data was adjusted for risk and IP strength, and was used to calculate valuation scenarios

Client impact



- The final report with the logical and unique method to value gene editing companies helped the client stand out in the market, and led to increased investor engagement
- The companies' Investor Relations (IR) teams also appreciated the differentiated approach since it would help in better marketing their investment story

About Crisil Integral IQ (formerly Global Research & Risk Solutions)

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About Crisil

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