

Covid-19 excitement masks Sorrento's disastrous capital structure



Jacob Plieth

Investors looking at press releases on Sorrento's website might be excused for thinking that the company was about to cure Covid-19. Indeed, Friday's announcement that Sorrento's "STI-1499, a potent anti-SARS-CoV-2 antibody", could "completely inhibit" Covid-19 infection sent the group's stock up 158%, even though this finding came from an *in vitro* virus infection experiment. That Sorrento is now valued at \$1.4bn is even more remarkable given its [first-quarter financials report](#), not published under news and events but rather under a separate section for SEC filings on Sorrento's website. This reveals the precarious state of the company, which spends over \$45m a quarter on R&D and admin, but ended March with \$22m in cash and \$183m in debt. The company is not insolvent, however, thanks to an [at-the-market offering](#) announced in April to sell up to \$250m of new stock; \$70m had already been raised from first-quarter equity issues, the SEC filing reveals. Nevertheless, the unaudited report admits that there is "substantial doubt about the company's ability to continue as a going concern within one year". Investors betting on Covid-19 would do better to investigate Sorrento's capital structure and brace themselves for further dilution.

Sorrento's financial highlights

	\$'000
First-quarter R&D spend	(21,154)
First-quarter SG&A spend	(26,299)
First-quarter net operating cash outflow	(38,550)
Mar 31 gross cash	21,897
Mar 31 gross debt	(182,958)
First-quarter proceeds from equity offerings	69,896
Cumulative losses since inception	(725,000)
Maximum value of 27 Apr ATM offering	250,000
Amount of ATM used/remaining	Not disclosed

Source: 10-K SEC filing.

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Evaluate HQ
[44-\(0\)20-7377-0800](tel:44-020-7377-0800)

Evaluate Americas
[+1-617-573-9450](tel:+1-617-573-9450)

Evaluate APAC
[+81-\(0\)80-1164-4754](tel:+81-080-1164-4754)

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