

MOODY'S

EDFX

Case Study: 23andMe Holding Co.

The EDF-X Early Warning System spotted 23andMe's elevated credit risk well before the company's collapse

Written by

Kyle Hillman
Associate Director

Contact us
edfx@moodys.com

Learn more
edfx.com

23andMe's Gradual Decline was Flagged by EDF-X More Than Two Years Ahead of Bankruptcy

23andMe, the DNA testing firm, filed for Chapter 11 bankruptcy on March 23, 2025. The former tech darling struggled with several obstacles in recent years, including waning customer demand and mounting financial pressures. The EDF-X Early Warning System first identified 23andMe as a Severe credit risk in February 2023 when the company's 12-month forward-looking probability of default breached its peer-group based trigger. Within the EDF-X Early Warning System, when a company's PD crosses its peer-based trigger it signals elevated credit risk relative to similar firms and suggests the odds of a negative credit event occurring in the coming quarters have appreciably increased.

23andMe went public in 2021 via a SPAC merger and at one point its valuation reached \$6 billion. However, the nature of the firm's business model – DNA tests tracing family histories and genetic predispositions to certain diseases – did not lend itself to sustained growth. Once consumers submitted a sample and received their results, there was little demand for additional interaction. While the company experimented with leveraging its vast data assets for pharmaceutical testing, the project ultimately failed. 23andMe was also a victim of a data breach in late 2023 as hackers leveraged compromised user credentials to access accounts. While the firm itself was not breached, it faced litigation that weighed on its financial standing. Amongst these headwinds, 23andMe consistently failed to operate at a profit and investors exited the stock, leading its share price to fall from above \$300 at its peak to under \$4 at the start of 2025. Running low on cash, the firm entered bankruptcy protection in March of the same year.

