

## ILLUMINA BETS ON PACIFIC, NOT NANOPORES



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### ILLUMINA'S \$1.2BN BUY OF PACIFIC BIOSCIENCES RAISES QUESTIONS ABOUT WHY IT SHUNNED ANOTHER LONG-READ SEQUENCING PLAYER, OXFORD NANOPORE TECHNOLOGIES.

ILLUMINA'S megabucks purchase of its genome sequencing rival, Pacific Biosciences, has raised eyebrows for various reasons. For one, the \$8 per share offer represents a 77% premium over Pacific's closing price yesterday – but it is well below Pacific's 2010 \$16 IPO price.

Secondly, Illumina has gone from being the hunted to the hunter after avoiding Roche's advances several years ago. And thirdly, last night's deal spurred questions over why Illumina had not picked Oxford Nanopore.

Perhaps Oxford was just too expensive for Illumina. The private company is valued at around \$1.5bn, already above the purchase price for Pacific before taking any premium into account.

But there have also been concerns about the accuracy of Oxford's technology, something the company previously told *Vantage* it had been working on ([Spotlight – Oxford Nanopore, the disruptive unicorn gunning for Illumina, 9 April 2018](#)).

#### A good long read

ILLUMINA'S \$1.2bn move for Pacific gives it long-read technology to complement its existing expertise in short-read sequencing. The latter produces small pieces of data, each around 300 DNA bases long, that then have to be assembled by computer, while long reads typically go as far as tens of thousands of bases, but can be longer.

Most of the current genome sequencing market centres around short-read technology, which is quicker and cheaper. However, long-read sequencing is more accurate and is needed in certain cases, for example to analyse regions of the genome that contain repeat sequences.

Long-read technology is expected to get more important as clinical genome sequencing becomes more widespread, Leerink analysts noted, adding that the long read sector could grow from \$600m in 2017 to \$2.5bn by 2022.

So it is no wonder that Illumina chose to plug this gap – but, with both Pacific and Oxford offering long-read sequencing, the deal with the former looks like a snub for the latter.

ILLUMINA is definitely aware of Oxford. The two companies signed an alliance in 2009, and Illumina participated in the smaller company's \$41m funding round in 2011.

After that, however, the relationship turned sour, with Illumina [suing Oxford for patent infringement in 2016](#); the case was settled the same year. Oxford and Pacific have also had a beef over intellectual property, but this has [now been resolved](#).

In terms of sales Pacific comes out on top, having made \$93.5m in 2017, well above Oxford's most recently reported annual revenues, £4.5m (\$6.4m) in 2016.

On this point, however Oxford's chief technology officer, Clive Brown, hit back on Twitter, claiming that his company's sales were catching up with Pacific's, and that Oxford's margins were better.

hmm, just looking at PacB accounts (disclaimer: im not an accountant), but ONT revenues catching up and going up (theirs down) and our margins better. 8M chip oversold. A safe harbour before the storm?

— Clive G. Brown (@Clive\_G\_Brown) [November 2, 2018](#)

Oxford's investors no doubt now hope that Illumina's purchase of Pacific will spark more M&A from other genome sequencing players hoping to keep up. Other big names in the space include Thermo Fisher and the Chinese group BGI Genomics.

Roche - which once had an agreement with Pacific - shut down its 454 Life Sciences sequencing business in 2013, but a year later acquired the nanopore-based sequencing company Genia Technologies for \$125m.

With its success in raising funds Oxford might have priced itself out of contention. The company has previously said that it could not only compete with Illumina but completely disrupt the market. But the task, already a tough one for a small company, just got tougher.

*This story has been updated to include Roche's acquisition of Genia in 2014.*

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