

Roche sets an example with GeneWeave acquisition



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While other groups conduct huge headline-grabbing mergers, Roche has been quietly following the more traditional route of buying small medtechs with technology in which it sees potential.

The latest of these is a \$190m deal for GeneWeave BioSciences, whose efforts centre on identifying drug-resistant bacteria to allow faster treatment decisions and the more targeted use of broad-spectrum antibiotics. After the failure of its bid for Illumina in 2012, rumoured to be worth as much as \$8bn, Roche has generally limited itself to bolt-ons (see table below). This is reassuring in a sector where these types of deals can be a crucial way of rewarding innovation.

GeneWeave says its technology enables the use of “the right drug for the right bug” – it is not intended to determine which bacteria are present in a sample but rather their susceptibility to antibiotics, and to do so swiftly and with a minimum of processing.

This involves the use of [particles containing GeneWeave-designed DNA molecules](#) that specifically target a species, genus or family of bacteria and cause the pathogens to produce luciferase and therefore light. Antibiotics are then added to the mix so that only drug-resistant bacteria glow. The usual step of culturing the bacteria can be skipped, making this process faster than alternative diagnostic methods.

All about the tech

As well as the \$190m up-front fee, Roche has signed up to pay up to \$235m in product-related milestones. This means the GeneWeave takeout is second in value only to last year’s purchase of IQuum among Roche’s 13 medtech acquisitions of the past five years – at least, among those whose value is known.

In reality the most expensive transaction will have been the stake Roche took in Foundation Medicine in January ([Roche deal will shelter Foundation from market pressures, January 13, 2015](#)). Roche paid around \$1.03bn for 52-56% of the sequencing company, but since this is not an outright acquisition – Roche itself described it as a “broad strategic collaboration” – it is still fair to say that GeneWeave takes second place.

The bolt-on deals Roche has conducted recently fit the model that is sometimes thought of as how the medtech industry is “supposed” to work – the buyer gets a profitable new technology while rewarding its developer and providing an exit for the target’s venture investors.

And the technologies that have prompted Roche to buy are all pretty cutting-edge, and all are aimed at cost-effectiveness. Capp Medical specialised in monitoring cancer by detecting circulating tumour DNA in blood. This liquid biopsy approach promises to save payers money while lessening the trauma to patients.

Signature Diagnostics worked to similar ends, having developed biobanks and created assays to help monitor late-stage cancer patients using the liquid biopsy concept. And the product developed by Ariosa Diagnostics, which Roche bought at the tail end of last year, also detects DNA in blood – but to detect foetal chromosomal abnormalities in a mother’s blood sample rather than for oncology ([Roche seeks Harmony with Ariosa buy, December 2, 2014](#)). Again, this is intended to be cheaper than current diagnostic techniques for these disorders.

Roche is just one company and its strategy is not necessarily emblematic of a trend in the sector. After all, with eight M&A deals worth over \$1bn announced so far this year it cannot be said that megamergers are going out of style.

But after the wave of defensive, scale-building, tax-limiting conglomeration that characterised 2014 a return to these smaller, technology-focused deals would be no bad thing.

Roche's medtech acquisitions, 2010-15

Date	Target	Technology	Total value (\$m)
August 13, 2015	GeneWeave BioSciences	Detection of drug-resistant bacteria	425
April 13, 2015	Capp Medical	ctDNA detection	-
February 9, 2015	Signature Diagnostics	Blood plasma and tissue biobanks	-
December 2, 2014	Ariosa Diagnostics	Prenatal testing for chromosomal abnormalities	-
June 10, 2014	IQuum	Point-of-care molecular diagnostic testing	450
June 2, 2014	Genia Technologies	DNA sequencing	350
July 2, 2013	Constitution Medical	Blood-related diseases diagnostics	220
January 31, 2012	Verum Diagnostica	Platelet function testing	16
August 31, 2011	mtm laboratories	Cervical cancer detection and diagnosis	272
May 1, 2011	PVT Probenverteiltechnik	Laboratory automation	112
October 13, 2010	RALS IT connectivity assets of Medical Automation Systems	Point-of-care information management	-
September 30, 2010	Biolmagene	Digital pathology	100
May 28, 2010	Medingo	Insulin delivery pumps	200

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